UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): July 30, 2004

Commission File Number 1-13102

FIRST INDUSTRIAL REALTY TRUST, INC.

(Exact name of Registrant as specified in its Charter)

Maryland (State or other jurisdiction of incorporation or organization)	**36-3935116** (I.R.S. Employer Identification No.)
311 S. Wacker Drive, Suite 4000, Chicago, Illinois (Address of principal executive offices)	**60606** (Zip Code)

(312) 344-4300
(Registrant’s telephone number, including area code)

Item 5. Other Events

During the period January 1, 2004 to March 31, 2004, First Industrial Realty Trust, Inc. (the "Company") sold 20 industrial properties comprising approximately 2.1 million square feet of Gross Leasable Area ("GLA") that meet the criteria established by FAS 144 (defined hereinafter) to be included in discontinued operations. At March 31, 2004, the Company had two industrial properties comprising approximately .1 million square feet of GLA classified as held for sale. In accordance with FAS 144 (defined hereinafter), the results of operations of the two industrial properties held for sale at March 31, 2004 are included in discontinued operations.

This Form 8-K is being filed to reflect the impact of the classification of the results of operations relating to these industrial properties as discontinued operations in accordance with the Financial Accounting Standards Board's Statement of financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" ("FAS 144").

In compliance with FAS 144, the Company has reported the results of operations and gains/(losses) on the sale of industrial properties sold and the results of operations from properties that are classified as held for sale at March 31, 2004 as income from discontinued operations for each period presented in its quarterly report filed on Form 10-Q for the first quarter ended March 31, 2004. The Company is filing this Form 8-K to reclassify the results of operations of the sold industrial properties and the industrial properties held for sale at March 31, 2004 as discontinued operations in the Company's historical financial statements for each of the years ended December 31, 2003, 2002, and 2001. Although these financial statements relate to periods prior to the sale of the 20 industrial properties and the date that industrial properties were classified as held for sale, the Company is required to restate such financial statements to be current as of the filing date when such financial statements are incorporated by reference as part of a 1933 Act filing. This reclassification has no effect on the Company's reported net income available to common shareholders.

This report on Form 8-K updates Items 6, 7, 8 and 15 of the Company's 2003 Form 10-K to reflect the reclassification of operations from properties sold from January 1, 2004 to March 31, 2004 and industrial properties held for sale at March 31, 2004 as discontinued operations for all periods presented. All other items of the 2003 Form 10-K remain unchanged. No attempt has been made to update matters in the Company's 2003 Form 10-K except to reflect the requirements of FAS 144. Readers should refer to the Company's quarterly report on Form 10-Q and current reports on Form 8-K for periods subsequent to December 31, 2003.

Item 7. Financial Statements and Exhibits

(c) Exhibits:

Exhibits	Description
12.1 *	Computation of ratios of earnings to fixed charges and preferred stock dividends of the Company
23.1 *	Consent of PricewaterhouseCoopers LLP
99.1 *	Revised “Item 6. Selected Financial Data” of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 to reflect the impact of the reclassification described in Item 5 of this Form 8-K.
99.2 *	Revised “Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations” of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 to reflect the impact of the reclassification described in Item 5 of this Form 8-K.
99.3 *	Revised “Item 8. Financial Statements and Supplementary Data” of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 to reflect the impact of the reclassification described in Item 5 of this Form 8-K.
*	Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST INDUSTRIAL REALTY TRUST, INC.

Date: July 30, 2004	By: /s/ Michael W. Brennan Michael W. Brennan President, Chief Executive Officer and Director (Principal Executive Officer)
Date: July 30, 2004	By: /s/ Michael J. Havala Michael J. Havala Chief Financial Officer (Principal Financial Officer)
Date: July 30, 2004	By: /s/ Scott A. Musil Scott A. Musil Senior Vice President, Controller, Treasurer and Assistant Secretary (Principal Accounting Officer)

Exhibit 12.1

FIRST INDUSTRIAL REALTY TRUST, INC.
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS
(DOLLARS IN THOUSANDS)

	Year Ended December 31,		
	2003 (c)	**2002 (c)**	**2001 (c)**
Income from Continuing Operations Before Minority Interest Allocable to Continuing Operations	$ 35,945	$ 48,859	$ 99,166
Plus: Interest Expense and Amortization of Deferred Financing Costs	97,220	92,312	84,389
Earnings Before Income Allocated to Minority Interest and Fixed Charges	$133,165	$141,171	$183,555
Fixed Charges and Preferred Stock Dividends (a)	$118,157	$127,243	$128,917
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends (b)	1.13x	1.11x	1.42x

(a) Included in Fixed Charges and Preferred Stock Dividends is the write-off of initial offering costs associated with the redemption of Preferred Stock in the amount of $3,707 and $4,577 for the years ended December 31, 2002 and 2001, respectively.

(b) For purposes of computing the ratios of earnings to fixed charges and preferred stock dividends, earnings have been calculated by adding fixed charges (excluding capitalized interest) to income from continuing operations before minority interest allocable to continuing operations. Fixed charges consist of interest costs, whether expensed or capitalized and amortization of deferred financing costs.

(c) During the three months ended March 31, 2004, the Company sold twenty industrial properties that met the criteria established by the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets' ("FAS 144") to be included in discontinued operations. At March 31, 2004, the Company also owned two industrial properties classified as held for sale that met the criteria established by FAS 144 to be included in discontinued operations. In accordance with FAS 144, the results of operations of the twenty industrial properties sold during the three months ended March 31, 2004 and the two industrial properties held for sale at March 31, 2004 are included in discontinued operations. Income from continuing operations for the years ended December 31, 2001 through 2003 reported in the table above has been restated to reflect the reclassification of the net income attributable to these properties from continuing operations to discontinued operations. As a result, income from continuing operations and ratio of earnings to fixed charges and preferred stock dividends reported in the table above will not agree to the income from continuing operations and ratio of earnings to fixed charges and preferred stock dividends reported in the Company's 2003 Form 10-K.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File Nos. 33-95190, 333-03999, 333-21887, 333-57355, 333-64743, 333-53835, 333-38850, 333-57992, 333-70638 and 333-104211) and the Registration Statements on Form S-8 (File Nos. 33-95188, 333-36699, 333-45317, 333-67824 and 333-100630) of First Industrial Realty Trust, Inc. of our report dated March 9, 2004, except for Note 8 and Note 10, as to which the date is July 30, 2004, relating to the financial statements which appear in this Form 8-K.

PricewaterhouseCoopers LLP

Chicago, Illinois
July 30, 2004

EXHIBIT 99.1

Selected Financial Data

The following sets forth selected financial and operating data for the Company on a historical consolidated basis. The following data should be read in conjunction with the financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K. The historical statements of operations for the years ended December 31, 2003, 2002 and 2001 include the results of operations of the Company as derived from the Company's audited financial statements. The historical statements of operations for the years ended December 31, 2000 and 1999 include the results of operations of the Company as derived from the Company's audited financial statements except that the results of operations of properties that were sold subsequent to December 31, 2001 that were not classified as held for sale at December 31, 2001 and the results of operations of properties that were classified as held for sale subsequent to December 31, 2001 are presented in discontinued operations if they met both of the following criteria: (a) the operations and cash flows of the property have been (or will be) eliminated from the ongoing operations of the Company as a result of the disposition and (b) the Company will not have any significant involvement in the operations of the property after the disposal transaction. The historical balance sheet data and other data as of December 31, 2003, 2002, 2001, 2000 and 1999 include the balances of the Company as derived from the Company's audited financial statements.

	Year Ended 12/31/03	Year Ended 12/31/02	Year Ended 12/31/01	Year Ended 12/31/00	Year Ended 12/31/99
	(In thousands, except per share and property data)				
Statement of Operations Data:					
Total Revenues	$ 328,156	$303,134	$309,854	$316,207	$315,054
Interest Income	2,416	2,378	2,790	5,489	3,790
Property Expenses	(105,405)	(94,993)	(93,371)	(93,706)	(84,828)
General and Administrative Expense	(26,953)	(19,610)	(18,609)	(17,129)	(13,259)
Interest Expense	(95,456)	(90,387)	(82,580)	(83,925)	(79,869)
Amortization of Deferred Financing Costs	(1,764)	(1,925)	(1,809)	(1,750)	(1,362)
Depreciation and Other Amortization	(79,727)	(65,789)	(60,856)	(56,442)	(58,251)
Loss from Early Retirement from Debt (c)	(1,466)	(888)	(10,309)	—	—
Valuation Provision on Real Estate (a)	—	—	(9,500)	(2,900)	—
Equity in Income (Loss) of Joint Ventures	539	463	(791)	571	302
Minority Interest Allocable to Continuing Operations	(166)	(758)	(732)	(5,659)	(7,902)
Income from Continuing Operations	20,174	31,625	34,087	60,756	73,675
Income from Discontinued Operations (Including Gain on Sale of Real Estate of $79,072 and $54,657 for the Year Ended December 31, 2003 and 2002, respectively) (b)	94,163	87,716	39,913	38,562	30,983
Minority Interest Allocable to Discontinued Operations	(13,870)	(13,141)	(6,119)	(6,101)	(4,948)
Gain on Sale of Real Estate	15,605	16,476	64,347	29,296	29,797
Minority Interest Allocable to Gain on Sale of Real Estate	(2,299)	(2,468)	(9,864)	(4,635)	(4,759)
Net Income	113,773	120,208	122,364	117,878	124,748
Redemption of Series A Preferred Stock	—	—	(4,577)	—	—
Redemption of Series B Preferred Stock	—	(3,707)	—	—	—
Preferred Stock Dividends	(20,176)	(23,432)	(30,001)	(32,844)	(32,844)
Net Income Available to Common Stockholders	$ 93,597	$ 93,069	$ 87,786	$ 85,034	$ 91,904
Income from Continuing Operations Available to Common Stockholders Per Weighted Average Common Share Outstanding:					
Basic	$ 0.35	$ 0.48	$ 1.39	$ 1.38	$ 1.74
Diluted	$ 0.34	$ 0.47	$ 1.38	$ 1.37	$ 1.74
Net Income Available to Common Stockholders Per Weighted Average Common Share Outstanding:					
Basic (e)	$ 2.43	$ 2.39	$ 2.26	$ 2.23	$ 2.43
Diluted (e)	$ 2.42	$ 2.38	$ 2.24	$ 2.21	$ 2.42
Distributions Per Share	$ 2.7400	$ 2.7250	$ 2.6525	$ 2.5175	$ 2.4200
Weighted Average Number of Common Shares Outstanding:					
Basic (e)	38,542	38,927	38,841	38,154	37,855
Diluted (e)	38,663	39,165	39,150	38,446	37,957
Net Income	$ 113,773	$120,208	$122,364	$117,878	$124,748
Other Comprehensive Income (Loss):					
Cumulative Transition Adjustment	—	—	(14,920)	—	—
Settlement of Interest Rate Protection Agreements	—	1,772	(191)	—	—
Mark-to-Market of Interest Rate Protection Agreements and Interest Rate Swap Agreements	251	(126)	(231)	—	—
Write-off of Unamortized Interest Rate Protection Agreements Due to Early Retirement of Debt	—	—	2,156	—	—
Amortization of Interest Rate Protection Agreements	198	176	805	—	—
Comprehensive Income	$ 114,222	$122,030	$109,983	$117,878	$124,748

	Year Ended 12/31/03	Year Ended 12/31/02	Year Ended 12/31/01	Year Ended 12/31/00	Year Ended 12/31/99
	(In thousands, except per share and property data)				
Balance Sheet Data (End of Period):					
Real Estate, Before Accumulated Depreciation	$ 2,740,800	$ 2,697,269	$ 2,714,927	$ 2,440,810	$ 2,597,592
Real Estate, After Accumulated Depreciation	2,391,548	2,388,781	2,438,107	2,221,109	2,386,136
Real Estate Held for Sale, Net	—	7,040	30,750	236,422	—
Total Assets	2,648,023	2,629,973	2,621,400	2,618,493	2,526,963
Mortgage Loans Payable, Net, Unsecured Lines of Credit and Senior Unsecured Debt, Net	1,453,798	1,442,149	1,318,450	1,221,356	1,147,639
Total Liabilities	1,591,732	1,575,586	1,447,361	1,373,288	1,276,763
Stockholders' Equity	889,173	882,326	995,597	1,058,372	1,059,226
Other Data:					
Cash Flow From Operating Activities	$ 99,560	$ 131,597	$ 147,091	$ 160,241	$ 176,897
Cash Flow From Investing Activities	32,633	34,591	(38,761)	(87,300)	(10,040)
Cash Flow From Financing Activities	(131,372)	(166,188)	(116,061)	(67,819)	(186,071)
Total Properties (d)	834	908	918	969	967
Total GLA, in Square Feet (d)	57,925,466	59,979,894	64,002,809	68,242,713	67,029,135
Occupancy Percentage (d)	88%	90%	91%	95%	96%

(a) Represents a valuation provision on real estate relating to certain properties located in Columbus, Ohio, Des Moines, Iowa, Grand Rapids, Michigan and Indianapolis, Indiana.

(b) On January 1, 2002, the Company adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" ("FAS 144"). FAS 144 addresses financial accounting and reporting for the disposal of long lived assets. FAS 144 requires that the results of operations and gains or losses on the sale of property sold subsequent to December 31, 2001 that were not classified as held for sale at December 31, 2001 as well as the results of operations from properties that were classified as held for sale subsequent to December 31, 2001 be presented in discontinued operations if both of the following criteria are met: (a) the operations and cash flows of the property have been (or will be) eliminated from the ongoing operations of the Company as a result of the disposal transaction and (b) the Company will not have any significant involvement in the operations of the property after the disposal transaction. FAS 144 also requires prior period results of operations for these properties to be restated and presented in discontinued operations in prior consolidated statements of operations. In compliance with FAS 144, the Company has reported the results of operations and gain/(losses) on the sale of industrial properties sold and the results of operations from properties that are classified as held for sale at March 31, 2004 as income from discontinued operations for each period presented in its quarterly report filed on Form 10-Q for the first quarter ended March 31, 2004.

(c) On January 1, 2003, the Company adopted the Financial Accounting Standard Board's Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Correction" ("FAS 145"). FAS 145 rescinds FAS 4, FAS 44 and FAS 64 and amends FAS 13 to modify the accounting for sales-leaseback transactions. FAS 4 required the classification of gains and losses resulting from the extinguishment of debt to be classified as extraordinary items. Pursuant to the adoption of FAS 145, the Company reclassified amounts shown as extraordinary for the year ended December 31, 2002 and 2001 to continuing operations. In 2002, the Company paid off and retired certain senior unsecured debt. The Company recorded a loss from the early retirement of debt of approximately $.9 million which is comprised of the amount paid above the carrying amount of the senior unsecured debt, the write-off of pro rata unamortized deferred financing costs and legal costs. In 2001, the Company paid off and retired certain mortgage loans and certain senior unsecured debt. The Company recorded a loss from the early retirement of debt of approximately $10.3 million which is comprised of the amount paid above the carrying amount of the senior unsecured debt, the write-off of unamortized deferred financing costs, the write-off of the unamortized portion of an interest rate protection agreement which was used to fix the interest rate on the senior unsecured debt prior to issuance, the settlement of an interest rate protection agreement used to fix the retirement price of the senior unsecured debt, prepayment fees, legal costs and other expenses.

(d) As of end of period and excludes properties under development.

(e) In accordance with Financial Accounting Standard Board's Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("FAS 128"), the basic weighted average shares outstanding for 2002, 2001, 2000 and 1999 have been adjusted to exclude restricted stock issued that has not vested. The diluted weighted average shares outstanding for 2002, 2001 2000 and 1999 have been adjusted to exclude restricted stock issued that has not vested except for the impact of the dilution related to restricted stock outstanding. Due to these adjustments, basic and diluted earnings per share available to common stockholders for the years ended December 31, 2002, 2001, 2000 and 1999 exceeds the basic and diluted earnings per share available to common stockholders reported in 2002's Form 10-K by $.02 per share, $.02 per share, $.03 per share and $.01 per share, respectively.

Exhibit 99.2

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

The following discussion should be read in conjunction with "Selected Financial Data" and the historical Consolidated Financial Statements and Notes thereto appearing elsewhere in this Form 10-K.

In addition, the following discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of complying with those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on the operations and future prospects of the Company on a consolidated basis include, but are not limited to, changes in: economic conditions generally and the real estate market specifically, legislative/regulatory changes (including changes to laws governing the taxation of real estate investment trusts), availability of financing, interest rate levels, competition, supply and demand for industrial properties in the Company's current and proposed market areas, potential environmental liabilities, slippage in development or lease-up schedules, tenant credit risks, higher-than-expected costs and changes in general accounting principles, policies and guidelines applicable to real estate investment trusts. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included herein and in the Company's other filings with the Securities and Exchange Commission.

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 (the "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. (the "Mortgage Partnership"), First Industrial Pennsylvania, L.P., First Industrial Harrisburg, L.P., First Industrial Indianapolis, L.P., FI Development Services, L.P. and TK-SV, LTD., each of which the sole general partner 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 Operating Partnership is also the sole stockholder of First Industrial Development Services, Inc. The Company, through separate wholly-owned limited liability companies of which the Operating Partnership is the sole member, also owns minority equity interests in, and provides asset and property management services to, two joint ventures which invest in industrial properties. The Company, through a wholly-owned limited liability company of which the Operating Partnership is the sole member, also owned a minority equity interest in and provided asset and property management services to a third joint venture which invested in industrial properties (the "September 1999 Joint Venture"). During the year ended December 31, 2003, the September 1999 Joint Venture sold its remaining property. In conjunction with this final property sale, the final distribution was made to the partners. In May 2003, the Company, through wholly-owned limited liability companies of which the Operating Partnership is the sole member, entered into a joint venture arrangement (the "May 2003 Joint Venture") with an institutional investor to invest in industrial properties. As of December 31, 2003, the May 2003 Joint Venture did not own any industrial properties.

Management believes the Company's financial condition and results of operations are, primarily, a function of the Company's performance in four key areas: leasing of industrial properties, acquisition and development of additional industrial properties, redeployment of internal capital and access to external capital.

The Company generates revenue primarily from rental income and tenant recoveries from the lease of industrial properties under long-term (generally three to six years) operating leases. Such revenue is offset by certain property specific operating expenses, such as real estate taxes, repairs and maintenance, property management, utilities and insurance expenses, along with certain other costs and expenses, such as depreciation and amortization costs and general and administrative and interest expenses. The Company's revenue growth is dependent, in part, on its ability to (i) increase rental income, through increasing either or both occupancy rates and rental rates at the Company's properties, (ii) maximize tenant recoveries and (iii) minimize operating and certain other expenses. Revenues generated from rental income and tenant recoveries are a significant source of funds, in addition to income generated from gains/losses on the sale of the Company’s properties (as discussed below), for the Company’s distributions. The leasing of property, in general, and occupancy rates, rental rates, operating expenses and certain non-operating expenses, in particular, are impacted, variously, by property specific, market specific, general economic and other conditions, many of which are beyond the control of the Company. The leasing of property also entails various risks, including the risk of tenant default. If the Company were unable to maintain or increase occupancy rates and rental rates at the Company’s properties or to maintain tenant recoveries and operating and certain other expenses consistent with historical levels and proportions, the Company’s revenue growth would be limited. Further, if a significant number of the Company’s tenants were unable to pay rent (including tenant recoveries) or if the Company were unable to rent its properties on favorable terms, the Company’s financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, the Company’s common stock would be adversely affected.

The Company’s revenue growth is also dependent, in part, on its ability to acquire existing, and acquire and develop new, additional industrial properties on favorable terms. The Company continually seeks to acquire existing industrial properties on favorable terms, and, when conditions permit, also seeks to acquire and develop new industrial properties on favorable terms. Existing properties, as they are acquired, and acquired and developed properties, as they lease-up, generate revenue from rental income and tenant recoveries, income from which, as discussed above, is a source of funds for the Company’s distributions. The acquisition and development of properties is impacted, variously, by property specific, market specific, general economic and other conditions, many of which are beyond the control of the Company. The acquisition and development of properties also entails various risks, including the risk that the Company’s investments may not perform as expected. For example, acquired existing and acquired and developed new properties may not sustain and/or achieve anticipated occupancy and rental rate levels. With respect to acquired and developed new properties, the Company may not be able to complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing the properties. Also, the Company faces significant competition for attractive acquisition and development opportunities from other well-capitalized real estate investors, including both publicly-traded real estate investment trusts and private investors. Further, as discussed below, the Company may not be able to finance the acquisition and development opportunities it identifies. If the Company were unable to acquire and develop sufficient additional properties on favorable terms or if such investments did not perform as expected, the Company’s revenue growth would be limited and its financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, the Company’s common stock would be adversely affected.

The Company also generates income from the sale of properties (including existing buildings, buildings which the Company has developed or re-developed on a merchant basis and land). The Company is continually engaged in, and its income growth is dependent, in part, on systematically redeploying its capital from properties and other assets with lower yield potential into properties and other assets with higher yield potential. As part of that process, the Company sells, on an ongoing basis, select stabilized properties or properties offering lower potential returns relative to their market value. The gain/loss on the sale of such properties is included in the Company’s income and is a significant source of funds, in addition to revenues generated from rental income and tenant recoveries, for the Company’s distributions. Also, a significant portion of the proceeds from such sales is used to fund the acquisition of existing, and the acquisition and development of new, industrial properties. The sale of properties is impacted, variously, by property specific, market specific, general economic and other conditions, many of which are beyond the control of the Company. The sale of properties also entails various risks, including competition from other sellers and the availability of attractive financing for potential buyers of the Company’s properties. Further, the Company’s ability to sell properties is limited by safe harbor rules applying to REITs under the Code which relate to the number of properties that may be disposed of in a year, their tax bases and the cost of improvements made to the properties, along with other tests which enable a REIT to avoid punitive taxation on the sale of assets. If the Company were unable to sell properties on favorable terms, the Company’s income growth would be limited and its financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, the Company’s common stock would be adversely affected.

Currently, the Company utilizes a portion of the net sales proceeds from property sales, as well as borrowings under its $300 million unsecured line of credit (the “Unsecured Line of Credit”), to finance future acquisitions and developments. Nonetheless, access to external capital on favorable terms plays a key role in the Company’s financial condition and results of operations, as it impacts the Company’s cost of capital and its ability, and cost, to refinance existing indebtedness as it matures and to fund future acquisitions and developments, if the Company chooses to do so, through the issuance of additional equity securities. The Company’s ability to access external capital on favorable terms is dependent on various factors, including general market conditions, interest rates, credit ratings on the Company’s capital stock and debt, the market’s perception of the Company’s growth potential, the Company’s current and potential future earnings and cash distributions and the market price of the Company’s capital stock. If the

Company were unable to access external capital on favorable terms, the Company's financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, the Company's common stock would be adversely affected.

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are described in more detail in Note 3 to the Consolidated Financial Statements. The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

- The Company maintains an allowance for doubtful accounts which is based on estimates of potential losses which could result from the inability of the Company's tenants to satisfy outstanding billings with the Company. The allowance for doubtful accounts is an estimate based on the Company's assessment of the creditworthiness of its tenants.

- Properties are classified as held for sale when the Company has entered into a binding contract to sell such properties. When properties are classified as held for sale, the Company ceases depreciating the properties and estimates the values of such properties and measures them at the lower of depreciated cost or fair value, less costs to dispose. If circumstances arise that were previously considered unlikely, and, as a result, the Company decides not to sell a property previously classified as held for sale, the Company will reclassify such property as held and used. The Company estimates the value of such property and measures it at the lower of its carrying amount (adjusted for any depreciation and amortization expense that would have been recognized had the property been continuously classified as held and used) or fair value at the date of the subsequent decision not to sell.

- The Company reviews its properties on a quarterly basis for possible impairment and provides a provision if impairments are determined. The Company utilizes the guidelines established under Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" ("FAS 144") to determine if impairment conditions exist. The Company reviews the expected undiscounted cash flows of each property to determine if there are any indications of impairment. The review of anticipated cash flows involves subjective assumptions of estimated occupancy and rental rates and ultimate residual value; accordingly, the anticipated cash flows may not ultimately be achieved.

- The Company is engaged in the acquisition of individual properties as well as multi-property portfolios. In accordance with FASB Statement of Financial Accounting Standards No. 141, "Business Combinations" ("FAS 141"), the Company is required to allocate purchase price between land, building, tenant improvements, leasing commissions, intangible assets and above and below market leases. Above-market and below-market lease values for acquired properties are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rents for each corresponding in-place lease. Acquired above and below market leases are amortized over the remaining non-cancelable terms of the respective leases. The Company also must allocate purchase price on multi-property portfolios to individual properties. The allocation of purchase price is based on the Company's assessment of various characteristics of the markets where the property is located and the expected cash flows of the property.

RESULTS OF OPERATIONS

Comparison of Year Ended December 31, 2003 to Year Ended December 31, 2002

At December 31, 2003, the Company owned 834 in-service industrial properties with approximately 57.9 million square feet of gross leasable area ("GLA"), 88.4% of which was occupied, compared to 908 in-service industrial properties with approximately 60.0 million square feet of GLA, 89.5% of which was occupied, at December 31, 2002. During 2003, the Company acquired 64 in-service industrial properties containing approximately 6.6 million square feet of GLA, completed development of 11 industrial properties totaling approximately 1.3 million square feet of GLA and sold 125 in-service industrial properties totaling approximately 7.1 million square feet of GLA, five out of service industrial properties and several land parcels. The Company also took 30 industrial properties out of service, comprising approximately 3.4 million square feet of GLA, and placed in service six industrial properties comprising approximately .5 million square feet of GLA.

The tables below summarize the Company's revenues, property expenses and depreciation and amortization by source. Same store properties are in-service properties owned prior to January 1, 2002. Acquired properties are in-service properties that were acquired subsequent to December 31, 2001. During 2003 and 2002, the Company acquired 154 industrial properties totaling approximately 12.3 million square feet of GLA at a total purchase price of $466.2 million. Sold properties are properties that were sold subsequent to December 31, 2001. During 2003 and 2002, the Company sold 244 industrial properties totaling approximately 19.3 million square feet of GLA for gross sales proceeds of $837.2 million. Properties that are not placed in-service are properties that have not been placed in-service as of December 31, 2001. These properties are placed in-service as they have reach stabilized occupancy. Other revenues are derived from the operations of the Company's maintenance company, fees earned from the Company's joint ventures, fees earned for developing properties for third parties and other miscellaneous revenues. Other expenses are derived from the operations of the Company's maintenance company and other miscellaneous expenses.

The Company's future financial condition and results of operations, including rental revenues, may be impacted by the future acquisition and sale of properties. The Company's future revenues and expenses may vary materially from historical rates.

In 2003, the Company's revenues were impacted by a soft leasing market attributable to a weak economy. For the five years ended December 31, 2003, industrial properties in the United States recorded occupancy rates ranging from 88.4% to 93.4%, with an occupancy rate of 88.4% at December 31, 2003, and rental rate growth ranging from (4.1%) to 9.8%, with an annual rental rate growth rate of (4.0%) for 2003.[1] At December 31, 2003 and 2002, the occupancy rates of the Company's in-service properties were 88.4% and 89.5%, respectively. For the year ended December 31, 2003 and 2002, the Company's cash on cash rental rate change on new leases and renewals was (5.5%) and 2.8%, respectively.

Revenues from same store properties decreased $3.8 million, or 1.4% due primarily to a decrease in occupancy and rental rates on new leases. Revenues from acquired properties increased $24.6 million, or 158.6% due to properties acquired subsequent to December 31, 2001. Revenues from sold properties decreased $39.9 million, or 61.1% due to properties sold subsequent to December 31, 2001.

	2003	2002	$ Change	% Change
REVENUES ($ in 000's)				
Same Store Properties	$269,252	$273,080	$ (3,828)	-1.4%
Acquired Properties	40,082	15,501	24,581	158.6%
Sold Properties	25,401	65,286	(39,885)	-61.1%
Properties Not Placed in-service	17,163	7,282	9,881	135.7%
Other	9,661	8,074	1,587	19.7%
	361,559	369,223	(7,664)	-2.1%
Discontinued Operations	(33,403)	(66,089)	32,686	-49.5%
Total Revenues	$328,156	$303,134	$ 25,022	8.3%

Property expenses include real estate taxes, repairs and maintenance, property management, utilities, insurance and other property related expenses. The increase in property expenses from same store properties is due primarily to an increase in repairs and maintenance expense, utilities expense and insurance expense, partially offset by a

[1] Source: Torto Wheaton Research

decrease in real estate tax expense. Due to a harsh winter in many of the Company's markets in 2003, the Company experienced an increase in repairs and maintenance due primarily to an increase in snow removal, as well as an increase in utilities expense due to an increase in utility usage and utility rates. The increase in insurance expense is due primarily to an increase in insurance premiums. The decrease in real estate tax expense is due to a decrease in real estate taxes in certain of the Company's markets. Property expenses from acquired properties increased by $6.9 million, or 184.7% due to properties acquired subsequent to December 31, 2001. Property expenses from sold properties decreased by $12.3 million, or (58.6%) due to properties sold subsequent to December 31, 2001.

	2003	2002	$ Change	% Change
PROPERTY EXPENSES ($ in 000's)				
Same Store Properties	$ 85,585	$ 83,673	$ 1,912	2.3%
Acquired Properties	10,635	3,735	6,900	184.7%
Sold Properties	8,666	20,922	(12,256)	-58.6%
Properties Not Placed in-service	6,971	2,847	4,124	144.9%
Other	5,006	3,858	1,148	29.8%
	116,863	115,035	1,828	1.6%
Discontinued Operations	(11,458)	(20,042)	8,584	-42.8%
Total Property Expenses	$105,405	$ 94,993	$ 10,412	11.0%

General and administrative expense increased by approximately $7.3 million due primarily to increases in employee compensation and additional employees in 2003, as well as an increase in the Company's state tax provision, marketing and promotional expense and costs related to unsuccessful acquisitions and dispositions.

Amortization of deferred financing costs remained relatively unchanged.

The increase in depreciation and other amortization for the same store properties is primarily due to a net increase in leasing commissions and tenant improvements paid in 2003 and 2002. Depreciation and other amortization from acquired properties increased by $6.0 million, or 238.0% due to properties acquired subsequent to December 31, 2001. Depreciation and other amortization from sold properties decreased by $7.0 million, or (58.4%) due to properties sold subsequent to December 31, 2001.

	2003	2002	$ Change	% Change
DEPRECIATION and OTHER AMORTIZATION ($ in 000's)				
Same Store Properties	$66,822	$ 61,550	$ 5,272	8.6%
Acquired Properties	8,483	2,510	5,973	238.0%
Sold Properties	4,946	11,881	(6,935)	-58.4%
Properties Not Placed in-service and Other	5,094	1,452	3,642	250.8%
Corporate Furniture, Fixtures and Equipment	1,236	1,384	(148)	-10.7%
	86,581	78,777	7,804	9.9%
Discontinued Operations	(6,854)	(12,988)	6,134	-47.2%
Total Depreciation and Other Amortization	$79,727	$ 65,789	$13,938	21.2%

Interest income remained relatively unchanged.

Interest expense increased by approximately $5.1 million due primarily to an increase in the weighted average debt balance outstanding for the year ended December 31, 2003 ($1,455.8 million) as compared to the year ended December 31, 2002 ($1,433.0 million) and a decrease in capitalized interest for the year ended December 31, 2003 due to a decrease in development activities. This was partially offset by a decrease in the weighted average interest rate for the year ended December 31, 2003 (6.61%) as compared to the year ended December 31, 2002 (6.85%).

The loss on early retirement of debt of approximately $1.5 million for the year ended December 31, 2003 is comprised of the write-off of unamortized deferred financing costs related to the early pay off and retirement of the 1995 Mortgage Loan (defined hereafter). The approximate $.9 million loss on early retirement of debt for the year ended December 31, 2002 is due to the early retirement of senior unsecured debt. The loss is comprised of the amount paid above the carrying amount of the senior unsecured debt, the write-off of pro rata unamortized deferred financing costs and legal costs.

Equity in income of joint ventures remained relatively unchanged.

The $15.6 million gain on sale of real estate for the year ended December 31, 2003 resulted from the sale of 10 industrial properties and several land parcels that do not meet the criteria established by FAS 144 for inclusion in discontinued operations. The $16.5 million gain on sale of real estate for the year ended December 31, 2002 resulted from the sale of 28 industrial properties and several land parcels that do not meet the criteria established by FAS 144 for inclusion in discontinued operations.

Income from discontinued operations for the year ended December 31, 2003 reflects the results of operations of 20 industrial properties sold from January 1, 2004 to March 31, 2004, two properties classified as held for sale at March 31, 2004 and 120 industrial properties that were sold during the year ended December 31, 2003 as well as the gain on sale of real estate of $79.1 million from the 120 industrial properties that were sold during the year ended December 31, 2003.

Income from discontinued operations for the year ended December 31, 2002 reflects the results of operations of 20 industrial properties sold from January 1, 2004 to March 31, 2004, two properties classified as held for sale at March 31, 2004, 120 industrial properties that were sold during the year ended December 31, 2003 and 86 industrial properties that were sold during the year ended December 31, 2002 as well as the gain on sale of real estate of $54.7 million from the 86 industrial properties which were sold during the year ended December 31, 2002.

	Year Ended December 31,	
($ in 000's)	**2003**	**2002**
Total Revenues	$ 33,403	$ 66,089
Operating Expenses	(11,458)	(20,042)
Depreciation and Amortization	(6,854)	(12,988)
Gain on Sale of Real Estate	79,072	54,657
Income from Discontinued Operations	$ 94,163	$ 87,716

Comparison of Year Ended December 31, 2002 to Year Ended December 31, 2001

At December 31, 2002, the Company owned 908 in-service industrial properties with approximately 60.0 million square feet of GLA, compared to 918 in-service industrial properties with approximately 64.0 million square feet of GLA at December 31, 2001. During 2002, the Company acquired 90 in-service industrial properties containing approximately 5.7 million square feet of GLA, completed development of 17 industrial properties totaling approximately 3.2 million square feet of GLA and sold 110 in-service industrial properties totaling approximately 11.3 million square feet of GLA, four out of service industrial properties and several land parcels. The Company also took nine industrial properties out of service, comprising approximately 1.8 million square feet of GLA, and placed in service two industrial properties comprising approximately .2 million square feet of GLA.

The tables below summarize the Company's revenues, property expenses and depreciation and amortization by source. Same store properties are in-service properties owned prior to January 1, 2001. Acquired properties are in-service properties that were acquired subsequent to December 31, 2000. During 2002 and 2001, the Company acquired 169 industrial properties totaling approximately 10.1 million square feet of GLA at a total purchase price of $449.2 million. Sold properties are properties that were sold subsequent to December 31, 2000. During 2002 and 2001, the Company sold 246 industrial properties totaling approximately 20.9 million square feet of GLA for gross sales proceeds of $831.2 million. Properties that are not placed in-service are properties that have not been placed in-service as of December 31, 2000. These properties will be placed in-service when they have reached stabilized occupancy. Other revenues are derived from the operations of the Company's maintenance company, fees earned from the Company's joint ventures, fees earned for developing properties for third parties and other miscellaneous revenues. Other expenses are derived from the operations of the Company's maintenance company and other miscellaneous expenses.

In 2002, the Company's revenues were impacted by a soft leasing market attributable to a weak economy. For the five years ended December 31, 2002, industrial properties in the United States recorded occupancy rates ranging from 88.9% to 93.4%, with an occupancy rate of 88.9% at December 31, 2002 and rental rate growth ranging from (4.1%) to 9.8%, with an annual rental rate growth rate of (4.1%) for 2002[2]. At December 31, 2002 and 2001, the occupancy rates of the Company's in-service properties were 89.5% and 91.4%, respectively. For the year ended December 31, 2002 and 2001, the Company's cash on cash rental rate change on new leases and renewals was 2.8% and 8.0%, respectively.

[2] Source: Torto Wheaton Research

Revenues from same store properties decreased $3.5 million, or 1.3% due primarily to a decrease in occupancy and rental rates on new leases. Revenues from acquired properties increased $28.8 million, or 229.2% due to properties acquired subsequent to December 31, 2000. Revenues from sold properties decreased $42.0 million, or 59.2% due to properties sold subsequent to December 31, 2000.

	2002	2001	$ Change	% Change
REVENUES ($ in 000's)				
Same Store Properties	$278,240	$281,769	$ (3,529)	-1.3%
Acquired Properties	41,420	12,583	28,837	229.2%
Sold Properties	29,013	71,057	(42,044)	-59.2%
Properties Not Placed in-service	12,476	10,506	1,970	18.8%
Other	8,074	10,505	(2,431)	-23.1%
	369,223	386,420	(17,197)	-4.5%
Discontinued Operations	(66,089)	(76,566)	10,477	-13.7%
Total Revenues	$303,134	$309,854	$ (6,720)	-2.2%

Property expenses include real estate taxes, repairs and maintenance, property management, utilities, insurance and other property related expenses. Property expenses from same store properties increased by approximately $4.0 million or 4.9% due primarily to an increase in repairs and maintenance expense, insurance expense and other expense. The increase in repairs and maintenance expense is due primarily to an increase in maintenance company expenses and related costs. The increase in insurance is due primarily to an increase in insurance premiums. The increase in other expense is primarily due to an increase in bad debt expense for the year ended December 31, 2002. Property expenses from acquired properties increased by approximately $8.2 million, or 262.6% due to properties acquired subsequent to December 31, 2000. Property expenses from sold properties decreased by $11.6 million, or (54.0%) due to properties sold subsequent to December 31, 2000.

	2002	2001	$ Change	% Change
PROPERTY EXPENSES ($ in 000's)				
Same Store Properties	$ 85,291	$ 81,296	$ 3,995	4.9%
Acquired Properties	11,260	3,105	8,155	262.6%
Sold Properties	9,912	21,538	(11,626)	-54.0%
Properties Not Placed in-service	4,714	3,649	1,065	29.2%
Other	3,858	5,026	(1,168)	-23.2%
	115,035	114,614	421	0.4%
Discontinued Operations	(20,042)	(21,243)	1,201	-5.7%
Total Property Expenses	$ 94,993	$ 93,371	$ 1,622	1.7%

General and administrative expense increased by approximately $1.0 million due primarily to increases in employee compensation and additional employees for the year ended December 31, 2002 as compared to the year ended December 31, 2001, partially offset by the write-off of the Company's technology initiative investment of approximately $.7 million during the year ended December 31, 2001.

Amortization of deferred financing costs remained relatively unchanged.

The valuation provision on real estate of approximately $9.5 million for the year ended December 31, 2001 represents a valuation provision on certain properties located in the Columbus, Ohio, Des Moines, Iowa and Indianapolis, Indiana markets.

The increase in depreciation and other amortization for the same store properties is primarily due to a net increase in leasing commissions and tenant improvements paid in 2002 and 2001. Depreciation and other amortization from acquired properties increased $5.0 million, or 241.5% due to properties acquired subsequent to December 31, 2000. Depreciation and other amortization from sold properties decreased by $7.1 million, or (60.8%) due to properties sold subsequent to December 31, 2000.

DEPRECIATION and OTHER AMORTIZATION ($ in 000's)	2002	2001	$ Change	% Change
Same Store Properties	$ 63,234	$ 58,320	$ 4,914	8.4%
Acquired Properties	7,022	2,056	4,966	241.5%
Sold Properties	4,573	11,668	(7,095)	-60.8%
Properties Not Placed in-service and Other	2,564	2,998	(434)	-14.5%
Corporate Furniture, Fixtures and Equipment	1,384	1,224	160	13.1%
	78,777	76,266	2,511	3.3%
Discontinued Operations	(12,988)	(15,410)	2,422	-15.7%
Total Depreciation and Other Amortization	$ 65,789	$ 60,856	$ 4,933	8.1%

Interest income remained relatively unchanged.

Interest expense increased by approximately $7.8 million for the year ended December 31, 2002 as compared to the year ended December 31, 2001 due primarily to an increase in the weighted average debt balance outstanding for the year ended December 31, 2002 ($1,433.0 million) as compared to the year ended December 31, 2001 ($1,310.3 million) and a decrease in capitalized interest for the year ended December 31, 2002 due to a decrease in development activities. This was partially offset by a decrease in the weighted average interest rate for the year ended December 31, 2002 (6.85%) as compared to the year ended December 31, 2001 (7.06%).

The approximate $.9 million loss from retirement of debt for the year ended December 31, 2002 is due to the early retirement of senior unsecured debt. The loss is comprised of the amount paid above the carrying amount of the senior unsecured debt, the write-off of pro rata unamortized deferred financing costs and legal costs.

The $10.3 million loss from retirement of debt for the year ended December 31, 2001 is due to the early retirement of senior unsecured debt and various mortgage loans. The loss is comprised of the amount paid above the carrying amount of the senior unsecured debt, the write-off of unamortized deferred financing costs, the write-off of the unamortized portion of an interest rate protection agreement which was used to fix the interest rate on the senior unsecured debt prior to issuance, the settlement of an interest rate protection agreement used to fix the retirement price of the senior unsecured debt, prepayment fees, legal costs and other expenses.

Equity in income of joint ventures increased by approximately $1.3 million due primarily to the increase in gain on sale of real estate of one of the Company's joint ventures, the start-up of one of the Company's joint ventures in December 2001 and the Company recognizing its proportionate interest in a valuation provision recognized in one of the Company's joint ventures during the year ended December 31, 2001, offset by a loss on the sale of real estate of one of the Company's joint ventures.

The approximate $16.5 million gain on sale of real estate for the year ended December 31, 2002 resulted from the sale of 12 industrial properties that were identified as held for sale at December 31, 2001, 16 industrial properties that were sold to one of the Company's joint ventures and several land parcels. The $64.3 million gain on sale of real estate for the year ended December 31, 2001 resulted from the sale of 132 industrial properties and several land parcels.

Income from discontinued operations of approximately $87.7 million for the year ended December 31, 2002 reflects the results of operations of 20 industrial properties sold from January 1, 2004 to March 31, 2004, two properties classified as held for sale at March 31, 2004, 120 industrial properties that were sold during the year ended December 31, 2003 and 86 industrial properties that were sold during the year ended December 31, 2002 as well as the gain on sale of real estate of $54.7 million from the 86 industrial properties which were sold during the year ended December 31, 2002.

Income from discontinued operations of approximately $39.9 million for the year ended December 31, 2001 reflects the results of operations of 20 industrial properties sold from January 1, 2004 to March 31, 2004, two properties classified as held for sale at March 31, 2004, 120 industrial properties that were sold during the year ended December 31, 2003 and 86 industrial properties that were sold during the year ended December 31, 2002.

($ in 000's)	Year Ended December 31, 2002	2001
Total Revenues	$ 66,089	$ 76,566
Operating Expenses	(20,042)	(21,243)
Depreciation and Amortization	(12,988)	(15,410)
Gain on Sale of Real Estate	54,657	—
Income from Discontinued Operations	$ 87,716	$ 39,913

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2003, the Company's cash and cash equivalents was approximately $.8 million and restricted cash was approximately $82.0 million. Restricted cash is comprised of gross proceeds from the sales of certain industrial properties. These sales proceeds will be disbursed as the Company exchanges industrial properties under Section 1031 of the Internal Revenue Code.

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's 7.375% Notes due in 2011, in aggregate principal amount of $100 million (the "Trust Notes"), are redeemable on May 15, 2004 at the option of the holder in the event that the holder of a call option with respect to the Trust Notes fails to exercise such option on or before May 1, 2004. In the event the Trust Notes are redeemed, the Company would satisfy such redemption through the issuance of additional debt. With the exception of the Trust Notes, 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, the issuance of long-term unsecured indebtedness and the issuance of additional equity securities. As of December 31, 2003 and March 5, 2004, $589.2 million of common stock, preferred stock and depositary shares and approximately $250.0 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 Unsecured Line of Credit. At December 31, 2003, borrowings under the Unsecured Line of Credit bore interest at a weighted average interest rate of 2.207%. As of March 5, 2004, the Company had approximately $70.9 million available in additional borrowings under the Unsecured Line of Credit. The Unsecured Line of Credit bears interest at a floating rate of LIBOR plus .70% or the Prime Rate, at the Company's election. The Unsecured Line of Credit contains certain financial covenants relating to debt service coverage, market value net worth, dividend payout ratio and total funded indebtedness. The Company's access to borrowings may be limited if it fails to meet any of these covenants. Also, the Company's borrowing rate on its Unsecured Line of Credit may increase in the event of a downgrade on the Company's unsecured notes by the rating agencies.

The Company currently has credit ratings from Standard & Poor's, Moody's and Fitch Ratings of BBB/ Baa2/BBB, respectively. The Company's goal is to maintain its existing credit ratings. In the event of a downgrade, management believes the Company would continue to have access to sufficient liquidity; however, the Company's cost of borrowing would increase and its ability to access certain financial markets may be limited.

Year Ended December 31, 2003

Net cash provided by operating activities of approximately $99.6 million for the year ended December 31, 2003 was comprised primarily of net income before minority interest of approximately $130.1 million, offset by adjustments for non-cash items of approximately $2.5 million and by the net change in operating assets and liabilities of approximately $28.0 million. The adjustments for the non-cash items of approximately $2.5 million are primarily comprised of depreciation and amortization of approximately $93.5 million and a loss on the early retirement of the 1995 Mortgage Loan (defined hereinafter) due to the write-off of unamortized deferred financing costs of approximately $1.5 million, substantially offset by the gain on sale of real estate of approximately $94.7 million, the effect of the straight-lining of rental income of approximately $2.6 million and a decrease of the bad debt provision of approximately $.2 million.

Net cash provided by investing activities of approximately $32.6 million for the year ended December 31, 2003 was comprised primarily of the net proceeds from the sale of real estate, the repayment of mortgage loans receivable and distributions from three of the Company's industrial real estate joint ventures, partially offset by the acquisition of real estate, development of real estate, capital expenditures related to the expansion and improvement of existing real estate, an increase in restricted cash that is held by an intermediary for Section 1031 exchange purposes and contributions to and investments in one of the Company's industrial real estate joint ventures.

During the year ended December 31, 2003, the Company sold 130 industrial properties comprising approximately 7.4 million square feet of GLA and several land parcels. Ten of the 130 sold industrial properties comprising approximately 1.4 million square feet of GLA were sold to the December 2001 Joint Venture. Gross proceeds from the sales of the 130 industrial properties and several land parcels were approximately $394.4 million.

During the year ended December 31, 2003, the Company acquired 64 industrial properties comprising, in the aggregate, approximately 6.6 million square feet of GLA and several land parcels for an aggregate purchase price of approximately $230.4 million, excluding costs incurred in conjunction with the acquisition of the properties. The Company also completed the development of 11 industrial properties comprising approximately 1.3 million square feet of GLA at a cost of approximately $64.9 million.

The Company, through wholly-owned limited liability companies in which the Operating Partnership is the sole member, invested approximately $5.6 million and received distributions of approximately $3.4 million from the Company's industrial real estate joint ventures. As of December 31, 2003, the Company's three industrial real estate joint ventures owned 80 industrial properties comprising approximately 8.0 million square feet of GLA.

Net cash used in financing activities of approximately $131.4 million for the year ended December 31, 2003 was comprised primarily of the repayments on mortgage loans payable, the repurchase of restricted stock from employees of the Company to pay for withholding taxes on the vesting of restricted stock, the purchase of treasury shares, common and preferred stock dividends and unit distributions and debt issuance costs, partially offset by the net borrowings under the Company's Unsecured Line of Credit, the net proceeds from the exercise of stock options and proceeds from the maturity of U.S. Government securities that were used as substitute collateral to execute a legal defeasance of a portion of the 1995 Mortgage Loan (defined hereinafter).

On December 29, 1995, the Company, through the Mortgage Partnership, an entity in which the Operating Partnership is the sole limited partner and a wholly-owned subsidiary of the Company is the general partner, entered into a $40.2 million mortgage loan (the "1995 Mortgage Loan"). On January 13, 2003, the Company, through the Mortgage Partnership, paid off and retired the 1995 Mortgage Loan.

On May 1, 2003, the Company, through the Operating Partnership, assumed a mortgage loan in the amount of $14.2 million (the "Acquisition Mortgage Loan X"). The Acquisition Mortgage Loan X is collateralized by one property in Hagerstown, Maryland, bears interest at a fixed rate of 8.25% and provides for monthly principal and interest payments based on a 30-year amortization schedule. The Acquisition Mortgage Loan X matures on December 1, 2010. In conjunction with the assumption of the Acquisition Mortgage Loan X, the Company recorded a premium in the amount of $2.9 million which will be amortized over the remaining life of the Acquisition Mortgage Loan X as an adjustment to interest expense.

On March 31, 2003, June 30, 2003, September 30, 2003 and December 31, 2003, the Company paid first, second, third and fourth quarter 2003 dividends of $53.906 per share (equivalent to $.53906 per Depositary Share) on its 8 5/8%, $.01 par value, Series C Cumulative Preferred Stock (the "Series C Preferred Stock"), $49.688 per share (equivalent to $.49688 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, 2003, June 30, 2003, September 30, 2003 and December 31, 2003 totaled approximately $5.0 million per quarter.

On January 27, 2003, the Company and the Operating Partnership paid a fourth quarter 2002 distribution of $.6850 per common share/Unit, totaling approximately $31.1 million. On April 21, 2003, the Company and the Operating Partnership paid a first quarter 2003 dividend/distribution of $.6850 per common share/Unit, totaling approximately $31.5 million. On July 21, 2003, the Company and the Operating Partnership paid a second quarter 2003 dividend/distribution of $.6850 per common share/Unit, totaling approximately $31.6 million. On October 20, 2003, the Company and the Operating Partnership paid a third quarter 2003 dividend/distribution of $.6850 per common share/Unit, totaling approximately $31.7 million.

On September 12, 2003, the Company, through the Operating Partnership, assumed a mortgage loan in the amount of $4.3 million (the "Acquisition Mortgage Loan XI"). The Acquisition Mortgage Loan XI is collateralized by one property in Downers Grove, Illinois, bears interest at a fixed rate of 7.61% and provides for monthly principal and interest payments based on a 30-year amortization schedule. The Acquisition Mortgage Loan XI matures on May 1, 2012. In conjunction with the assumption of the Acquisition Mortgage Loan XI, the Company recorded a premium in the amount of $.6 million which will be amortized over the remaining life of the Acquisition Mortgage Loan XI as an adjustment to interest expense.

On September 12, 2003, the Company, through the Operating Partnership, assumed a mortgage loan in the amount of $2.3 million (the “Acquisition Mortgage Loan XII”). The Acquisition Mortgage Loan XII is collateralized by one property in Indianapolis, Indiana, bears interest at a fixed rate of 7.54% and provides for monthly principal and interest payments based on a 30-year amortization schedule. The Acquisition Mortgage Loan XII matures on January 1, 2012. In conjunction with the assumption of the Acquisition Mortgage Loan XII, the Company recorded a premium in the amount of $.3 million which will be amortized over the remaining life of the Acquisition Mortgage Loan XII as an adjustment to interest expense.

During the year ended December 31, 2003, the Company repurchased 37,300 shares of its common stock at a weighted average price of approximately $26.73 per share.

For the year ended December 31, 2003, certain employees of the Company exercised 531,473 non-qualified employee stock options. Gross proceeds to the Company were approximately $14.8 million.

During the year ended December 31, 2003, the Company awarded 692,888 shares of restricted common stock to certain employees and 11,956 shares of restricted common stock to certain Directors. These shares of restricted common stock had a fair value of approximately $20.6 million on the date of grant. The restricted common stock vests over periods from one to ten years. Compensation expense will be charged to earnings over the respective vesting periods.

Contractual Obligations and Commitments

The following table lists our contractual obligations and commitments as of December 31, 2003 (In thousands):

	Payments Due by Period				
	Total	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**Over 5 Years**
Operating and Ground Leases*	$ 51,252	$ 1,924	$ 3,367	$ 2,020	$ 43,941
Deferred Purchase Price - Property	10,425	10,425	—	—	—
Real Estate Development*	33,854	33,854	—	—	—
Long-term Debt	1,453,039	1,232	402,862	153,013	895,932
Interest Expense on Long-Term Debt*	999,595	96,701	182,853	136,694	583,347
Total	$2,548,165	$144,136	$589,082	$291,727	$1,523,220

* Not on balance sheet.

Off-Balance Sheet Arrangements

Letters of credit are issued in most cases as pledges to governmental entities for development purposes or to support purchase obligations. At December 31, 2003 the Company has $ 17.8 million in outstanding letters of credit, of which $7.4 million are not reflected as liabilities on the Company’s balance sheet. The Company has no other off-balance sheet arrangements other than those disclosed on the previous Contractual Obligations and Commitments table.

Environmental

The Company incurred environmental costs of approximately $.1 million and approximately $.1 million in 2003 and 2002, respectively. The Company estimates 2004 costs of approximately $.1 million. The Company estimates that the aggregate cost which needs to be expended in 2004 and beyond with regard to currently identified environmental issues will not exceed approximately $1.3 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 six 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

Ratio of Earnings to Fixed Charges and Preferred Stock Dividends

The ratio of earnings to fixed charges and preferred stock dividends was 1.13, 1.11 and 1.42 for the years ended December 31, 2003, 2002 and 2001, respectively. The ratio of earnings to fixed charges and preferred stock dividends between fiscal years 2003 and 2002 remained relatively unchanged. The decrease in earnings to fixed charges and preferred stock dividends between fiscal years 2002 and 2001 is primarily due to a decrease in gain on sale of real estate in 2002, a decrease in income from continuing operations in fiscal year 2002 due to an decrease in rental income and tenant recoveries and other income and by an increase in depreciation and amortization expense for fiscal year 2002 as compared to fiscal year 2001, slightly offset by a valuation provision on real estate recognized in fiscal year 2001, as discussed in "Results of Operations" above.

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, 2003 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, 2003, $1,257.9 million (approximately 86.5% of total debt at December 31, 2003) of the Company's debt was fixed rate debt and $195.9 million (approximately 13.5% of total debt at December 31, 2003) was variable rate debt. The Company also has outstanding a written put option (the "Written Option"), which was issued in conjunction with the initial offering of one tranche 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, 2003, 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 $.4 million per year. A 10% increase in interest rates would decrease the fair value of the fixed rate debt at December 31, 2003 by approximately $47.5 million to $1,334.4 million. A 10% decrease in interest rates would increase the fair value of the fixed rate debt at December 31, 2003 by approximately $51.5 million to $1,433.4 million. A 10% increase in interest rates would decrease the fair value of the Written Option at December 31, 2003 by approximately $2.8 million to $13.5 million. A 10% decrease in interest rates would increase the fair value of the Written Option at December 31, 2003 by approximately $2.9 million to $19.2 million.

Subsequent Events

On January 20, 2004, the Company and the Operating Partnership paid a fourth quarter 2003 distribution of $.6850 per share, totaling approximately $31.9 million.

On February 25, 2004, the Company declared a first quarter 2004 distribution of $.6850 per common share/unit on its common stock/units which was paid on April 19, 2004. The Company also declared first quarter 2004 dividends of $53.906 per share ($.53906 per Depositary share), $49.688 per share ($.49688 per Depositary share) and $49.375 per share ($.49375 per Depositary share) on its Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, respectively, totaling, in the aggregate, approximately $5.0 million, which was paid on March 31, 2004.

From January 1, 2004 to March 5, 2004, the Company awarded 1,221 shares of restricted common stock to certain Directors. These shares of restricted common stock had a fair value of approximately $.04 million on the date of grant. The restricted common stock vests over ten years. Compensation expense will be charged to earnings in the Company’s consolidated statements of operations over the respective vesting period.

From January 1, 2004 to March 5, 2004, the Company acquired or completed development of nine industrial properties for a total estimated investment of approximately $48.1 million. The Company also sold one land parcel for approximately $.2 million of gross proceeds during this period.

Related Party Transactions

The Company periodically engages in transactions for which CB Richard Ellis, Inc. acts as a broker. A relative of Michael W. Brennan, the President and Chief Executive Officer and a director of the Company, is an employee of CB Richard Ellis, Inc. For the year ended December 31, 2003, this relative received approximately $.1 million in brokerage commissions paid by the Company.

Other

In January 2003, the FASB issued FIN 46, which provides guidance on how to identify a variable interest entity (“VIE”) and determines when the assets, liabilities, non-controlling interests, and results of operations of a VIE are to be included in an entity’s consolidated financial statements. A VIE exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investors lack one of three characteristics associated with owning a controlling financial interest. In December 2003, the FASB reissued FIN 46 with certain modifications and clarifications. Application of this guidance was effective for interests in certain VIEs commonly referred to as special-purpose entities (“SPEs”) as of December 31, 2003. Application for all other types of entities is required for periods ending after March 15, 2004, unless previously applied. The Company does not believe that the application of FIN 46 will have an impact on its financial position, results of operations, or liquidity.

On January 1, 2003, the Company adopted the FASB Statement of Financial Accounting Standard No. 145, “Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections” (“FAS 145”). FAS 145 rescinds FAS 4, FAS 44 and FAS 64 and amends FAS 13 to modify the accounting for sales-leaseback transactions. FAS 4 required the classification of gains and losses resulting from extinguishment of debt to be classified as extraordinary items. Pursuant to the adoption of FAS 145, the Company reclassified amounts shown as extraordinary for the years ended December 31, 2002 and 2001 to continuing operations.

In July 2003, the Securities and Exchange Commission (the “SEC”) issued a clarification on Emerging Issues Task Force (“EITF”) Abstract, Topic No. D 42, “The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock” (“EITF 42”). This clarification of EITF 42, states for the purpose of calculating the excess of (1) fair value of the consideration transferred to the holders of the preferred stock over (2) the carrying amount of the preferred stock in the balance sheet, the carrying amount of the preferred stock should be reduced by the issuance costs of the preferred stock. This clarification was effective in the first fiscal period ending after June 15, 2003 and requires prior periods presented to be restated. Pursuant to EITF 42, the Company restated net income available to common stockholders and net income available to common stockholders per share amounts for the years ended December 31, 2002 and 2001 by reducing net income available to common stockholders for the initial issuance costs related to the redemption of the Company’s 8.75%, $.01 par value, Series B Cumulative Preferred Stock (the “Series B Preferred Stock”) on May 14, 2002 and the redemption of the Company’s 9.5%, $.01 par value, Series A Cumulative Preferred Stock, (the “Series A Preferred Stock”) on April 9, 2001. The impact of the adoption of EITF 42 for the years ended December 31, 2002 and 2001 was a reduction of basic Earnings Per Share (“EPS”) of $.08 and $.11, respectively, and a reduction of diluted EPS of $.08 and $.12, respectively.

Risk Factors

The Company's operations involve various risks that could adversely affect its financial condition, results of operations, cash flow, ability to pay distributions on its common stock and the market price of its common stock. These risks, among others contained in the Company's other filings with the SEC, include:

Real estate investments' value fluctuates depending on conditions in the general economy and the real estate business. These conditions may limit the Company's revenues and available cash.

The factors that affect the value of the Company's real estate and the revenues the Company derives from its properties include, among other things:

- general economic climate;
- local conditions such as oversupply or a reduction in demand in the area;
- the attractiveness of the properties to tenants;
- tenant defaults;
- zoning or other regulatory restrictions;
- competition from other available real estate;
- our ability to provide adequate maintenance and insurance; and
- increased operating costs, including insurance premiums and real estate taxes.

Many real estate costs are fixed, even if income from properties decreases.

The Company's financial results depend on leasing space in the Company's real estate properties to tenants on terms favorable to the Company. The Company's income and funds available for distribution to its stockholders will decrease if a significant number of the Company's tenants cannot pay their rent or the Company is unable to rent properties on favorable terms. In addition, if a tenant does not pay its rent, the Company might not be able to enforce its rights as landlord without delays and the Company might incur substantial legal costs. Costs associated with real estate investment, such as real estate taxes and maintenance costs, generally are not reduced when circumstances cause a reduction in income from the investment. For the year ended December 31, 2003, approximately 76.2% of the Company's gross revenues from continuing operations came from rentals of real property.

The Company may be unable to sell properties when appropriate because real estate investments are not as liquid as certain other types of assets.

Real estate investments generally cannot be sold quickly and, therefore, will tend to limit the Company's ability to vary its property portfolio promptly in response to changes in economic or other conditions. The inability to respond promptly to changes in the performance of the Company's property portfolio could adversely affect the Company's financial condition and ability to service debt and make distributions to its stockholders. In addition, like other companies qualifying as REITs under the Internal Revenue Code, the Company must comply with the safe harbor rules relating to the number of properties disposed of in a year, their tax bases and the cost of improvements made to the properties, or meet other tests which enable a REIT to avoid punitive taxation on the sale of assets. Thus, the Company's ability at any time to sell assets may be restricted.

The Company may be unable to sell properties on advantageous terms.

The Company has sold to third parties a significant number of properties in recent years and, as part of its business, the Company intends to continue to sell properties to third parties. The Company's ability to sell properties on advantageous terms depends on factors beyond the Company's control, including competition from other sellers and the availability of attractive financing for potential buyers of the Company's properties. If the Company is unable to sell properties on favorable terms or redeploy the proceeds of property sales in accordance with the Company's business strategy, then the Company's financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, the Company's common stock could be adversely affected.

The Company has also sold to its joint ventures a significant number of properties in recent years and, as part of its business, the Company intends to continue to sell properties to its joint ventures as opportunities arise. If the Company does not have sufficient properties available that meet the investment criteria of current or future joint ventures, or if the joint ventures have reduced or no access to capital on favorable terms, then such sales could be delayed or prevented, adversely affecting the Company's financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, the Company's common stock.

For the year ended December 31, 2003, gains on sales of properties accounted for approximately 72.8% of the Company's net income.

The Company may be unable to acquire properties on advantageous terms or acquisitions may not perform as the Company expects.

The Company acquires and intends to continue to acquire primarily industrial properties. The acquisition of properties entails various risks, including the risks that the Company's investments may not perform as expected and that the Company's cost estimates for bringing an acquired property up to market standards may prove inaccurate. Further, the Company faces significant competition for attractive investment opportunities from other well-capitalized real estate investors, including both publicly-traded real estate investment trusts and private investors. This competition increases as investments in real estate become increasingly attractive relative to other forms of investment. As a result of competition, the Company may be unable to acquire additional properties as it desires or the purchase price may be significantly elevated. In addition, the Company expects to finance future acquisitions through a combination of borrowings under the Company's Unsecured Line of Credit, proceeds from equity or debt offerings by the Company and proceeds from property sales, which may not be available and which could adversely affect the Company's cash flow. Any of the above risks could adversely affect the Company's financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, the Company's common stock.

The Company may be unable to complete development and re-development projects on advantageous terms.

As part of its business, the Company develops new and re-develops existing properties. In addition, the Company has sold to third parties or sold to the Company's joint ventures a significant number of development and re-development properties in recent years and the Company intends to continue to sell such properties to third parties or to sell such properties to the Company's joint ventures as opportunities arise. The real estate development and re-development business involves significant risks that could adversely affect the Company's financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of the Company's common stock, which include:

- the Company may not be able to obtain financing for development projects on favorable terms and complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing the properties and generating cash flow;

- the Company may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations;

- the properties may perform below anticipated levels, producing cash flow below budgeted amounts and limiting the Company's ability to sell such properties to third parties or to sell such properties to the Company's joint ventures;

The Company may be unable to renew leases or find other lessees.

The Company is subject to the risks that, upon expiration, leases may not be renewed, the space subject to such leases may not be relet or the terms of renewal or reletting, including the cost of required renovations, may be less favorable than expiring lease terms. If the Company were unable to promptly renew a significant number of expiring leases or to promptly relet the space covered by such leases, or if the rental rates upon renewal or reletting were significantly lower than the then current rates, the Company's cash funds from operations and ability to make expected distributions to stockholders might be adversely affected. As of December 31, 2003, leases with respect to approximately 14.1 million, 10.4 million and 8.3 million square feet of GLA, representing 27.5%, 20.2% and 16.2%, of GLA expire in the remainder of 2004, 2005 and 2006, respectively.

The Company might fail to qualify or remain qualified as a REIT.

First Industrial Realty Trust, Inc. intends to operate so as to qualify as a REIT under the Code. Although the Company believes that First Industrial Realty Trust, Inc. is organized and will operate in a manner so as to qualify as a REIT, qualification as a REIT involves the satisfaction of numerous requirements, some of which must be met on a recurring basis. These requirements are established under highly technical and complex Code provisions of which there are only limited judicial or administrative interpretations, and involve the determination of various factual matters and circumstances not entirely within the Company's control. If First Industrial Realty Trust, Inc. were to fail to qualify as a REIT in any taxable year, First Industrial Realty Trust, Inc. would be subject to federal income tax, including any applicable alternative minimum tax, on First Industrial Realty Trust, Inc.'s taxable income at corporate rates. This could result in a discontinuation or substantial reduction in dividends to stockholders. Unless entitled to relief under certain statutory provisions, First Industrial Realty Trust, Inc. also would be disqualified from treatment as a REIT for the four taxable years that follow.

Certain property transfers may generate prohibited transaction income, resulting in a penalty tax on the gain attributable to the transaction.

As part of its business, the Company sells properties to third parties or sells properties to the Company's joint ventures as opportunities arise. Under the Code, a 100% penalty tax could be assessed on the gain resulting from sales of properties that are deemed to be prohibited transactions. The question of what constitutes a prohibited transaction is based on the facts and circumstances surrounding each transaction. The Internal Revenue Service could contend that certain sales of properties by the Company are prohibited transactions. While the Company's management does not believe that the Internal Revenue Service would prevail in such a dispute, if the matter was successfully argued by the Internal Revenue Service, the 100% penalty tax could be assessed against the profits from these transactions. In addition, any income from a prohibited transaction may adversely affect the Company's ability to satisfy the income tests for qualification as a REIT.

The REIT distribution requirements may require the Company to turn to external financing sources.

First Industrial Realty Trust, Inc. could, in certain instances, have taxable income without sufficient cash to enable First Industrial Realty Trust, Inc. to meet the distribution requirements of the REIT provisions of the Code. In that situation, the Company could be required to borrow funds or sell properties on adverse terms in order to meet those distribution requirements. In addition, because First Industrial Realty Trust, Inc. must distribute to its stockholders at least 90% of the Company's REIT taxable income each year, the Company's ability to accumulate capital may be limited. Thus, in connection with future acquisitions, First Industrial Realty Trust, Inc. may be more dependent on outside sources of financing, such as debt financing or issuances of additional capital stock, which may or may not be available on favorable terms. Additional debt financings may substantially increase the Company's leverage and additional equity offerings may result in substantial dilution of stockholders' interests.

Debt financing, the degree of leverage and rising interest rates could reduce the Company's cash flow.

Where possible, the Company intends to continue to use leverage to increase the rate of return on the Company's investments and to allow the Company to make more investments than it otherwise could. The Company's use of leverage presents an additional element of risk in the event that the cash flow from the Company's properties is insufficient to meet both debt payment obligations and the distribution requirements of the REIT provisions of the Code. In addition, rising interest rates would reduce the Company's cash flow by increasing the amount of interest due on its floating rate debt and on its fixed rate debt as it matures and is refinanced.

Cross-collateralization of mortgage loans could result in foreclosure on substantially all of the Company's properties if the Company is unable to service its indebtedness.

If the Operating Partnership determines to obtain additional debt financing in the future, it may do so through mortgages on some or all of its properties. These mortgages may be on recourse, non-recourse or cross-collateralized bases. Cross-collateralization makes all of the subject properties available to the lender in order to satisfy the Company's debt. Holders of indebtedness that is so secured will have a claim against these properties. To the extent indebtedness is cross-collateralized, lenders may seek to foreclose upon properties that are not the primary collateral for their loan, which may, in turn, result in acceleration of other indebtedness secured by properties. Foreclosure of properties would result in a loss of income and asset value to the Company, making it difficult for it to meet both debt payment obligations and the distribution requirements of the REIT provisions of the Code. As of December 31, 2003, none of the Company's current indebtedness was cross-collateralized.

The Company may have to make lump-sum payments on its existing indebtedness.

The Company is required to make the following lump-sum or "balloon" payments under the terms of some of its indebtedness, including the Operating Partnership's:

- $50 million aggregate principal amount of 7.75% Notes due 2032 (the "2032 Notes")

- $200 million aggregate principal amount of 7.60% Notes due 2028 (the "2028 Notes")

- approximately $15 million aggregate principal amount of 7.15% Notes due 2027 (the "2027 Notes")
- $100 million aggregate principal amount of 7.50% Notes due 2017 (the "2017 Notes")
- $200 million aggregate principal amount of 6.875% Notes due 2012 (the "2012 Notes")
- $100 million aggregate principal amount of 7.375% Notes due 2011 (the "Trust Notes")

  The trust to which the Trust Notes were issued must exercise its right to require the Company, through the Operating Partnership, to redeem the Trust Notes on May 15, 2004 if the holder of a call option with respect to the Trust Notes fails to give written notice on or before May 1, 2004 that it intends to exercise such option.

- $200 million aggregate principal amount of 7.375% Notes due 2011(the "2011 Notes")
- $150 million aggregate principal amount of 7.60% Notes due 2007 (the "2007 Notes")
- $150 million aggregate principal amount of 7.00% Notes due 2006 (the "2006 Notes")
- $50 million aggregate principal amount of 6.90% Notes due 2005 (the "2005 Notes") and
- a $300 million unsecured revolving credit facility (the "Unsecured Line of Credit") under which First Industrial Realty Trust, Inc., through the Operating Partnership, may borrow to finance the acquisition of additional properties and for other corporate purposes, including working capital.

The Unsecured Line of Credit provides for the repayment of principal in a lump-sum or "balloon" payment at maturity in 2005. Under the Unsecured Line of Credit, the Operating Partnership has the right, subject to certain conditions, to increase the aggregate commitment under the Unsecured Line of Credit by up to $100 million. As of December 31, 2003, $195.9 million was outstanding under the Unsecured Line of Credit at a weighted average interest rate of 2.207%.

The Company's ability to make required payments of principal on outstanding indebtedness, whether at maturity or otherwise, may depend on its ability either to refinance the applicable indebtedness or to sell properties. The Company has no commitments to refinance the 2005 Notes, the 2006 Notes, the 2007 Notes, the 2011 Notes, the 2012 Notes, the Trust Notes, the 2017 Notes, the 2027 Notes, the 2028 Notes, the 2032 Notes or the Unsecured Line of Credit. Some of the existing debt obligations, other than those discussed above, of the Company, through the Operating Partnership, are secured by the Company's properties, and therefore such obligations will permit the lender to foreclose on those properties in the event of a default.

There is no limitation on debt in the Company's organizational documents.

The organizational documents of First Industrial Realty Trust, Inc. do not contain any limitation on the amount or percentage of indebtedness the Company may incur. Accordingly, the Company could become more highly leveraged, resulting in an increase in debt service that could adversely affect the Company's ability to make expected distributions to stockholders and in an increased risk of default on the Company's obligations. As of December 31, 2003, the Company's ratio of debt to its total market capitalization was 44.4%.The Company computes that percentage by calculating its total consolidated debt as a percentage of the aggregate market value of all outstanding shares of the Company's common stock, assuming the exchange of all limited partnership units of the Operating Partnership for common stock, plus the aggregate stated value of all outstanding shares of preferred stock and total consolidated debt.

Rising interest rates on the Company's Unsecured Line of Credit could decrease the Company's available cash.

The Company's Unsecured Line of Credit bears interest at a floating rate. As of December 31, 2003, the Company's Unsecured Line of Credit had an outstanding balance of $195.9 million at a weighted average interest rate of 2.207%. Currently, the Company's Unsecured Line of Credit bears interest at the Prime Rate or at the London Interbank Offered Rate plus .70%. Based on an outstanding balance on the Company's Unsecured Line of Credit as of December 31, 2003, a 10% increase in interest rates would increase interest expense by $.4 million on an annual basis. Increases in the interest rate payable on balances outstanding under the Unsecured Line of Credit would decrease the Company's cash available for distribution to stockholders.

Earnings and cash dividends, asset value and market interest rates affect the price of the Company's common stock.

As a real estate investment trust, the market value of the Company's common stock, in general, is based primarily upon the market's perception of the Company's growth potential and its current and potential future earnings and cash dividends. The market value of the Company's common stock is based secondarily upon the market value of the

Company’s underlying real estate assets. For this reason, shares of the Company’s common stock may trade at prices that are higher or lower than the Company’s net asset value per share. To the extent that the Company retains operating cash flow for investment purposes, working capital reserves, or other purposes, these retained funds, while increasing the value of the Company’s underlying assets, may not correspondingly increase the market price of the Company’s common stock. The Company’s failure to meet the market’s expectations with regard to future earnings and cash dividends likely would adversely affect the market price of the Company’s common stock. Further, the distribution yield on the common stock (as a percentage of the price of the common stock) relative to market interest rates may also influence the price of the Company’s common stock. An increase in market interest rates might lead prospective purchasers of the Company’s common stock to expect a higher distribution yield, which would adversely affect the market price of the Company’s common stock. Additionally, if the market price of the Company’s common stock declines significantly, then the Company might breach certain covenants with respect to its debt obligations, which could adversely affect the Company’s liquidity and ability to make future acquisitions and the Company’s ability to pay dividends to its stockholders.

The Company may incur unanticipated costs and liabilities due to environmental problems.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate may be liable for the costs of clean-up of certain conditions relating to the presence of hazardous or toxic materials on, in or emanating from the property, and any related damages to natural resources. Environmental laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous or toxic materials. The presence of such materials, or the failure to address those conditions properly, may adversely affect the ability to rent or sell the property or to borrow using the property as collateral. Persons who dispose of or arrange for the disposal or treatment of hazardous or toxic materials may also be liable for the costs of clean-up of such materials, or for related natural resource damages, at or from an off-site disposal or treatment facility, whether or not the facility is owned or operated by those persons. No assurance can be given that existing environmental assessments with respect to any of the Company’s properties reveal all environmental liabilities, that any prior owner or operator of any of the properties did not create any material environmental condition not known to the Company or that a material environmental condition does not otherwise exist as to any of the Company’s properties.

The Company’s insurance coverage does not include all potential losses.

The Company currently carries comprehensive insurance coverage including property, boiler & machinery, liability, fire, flood, terrorism, earthquake, extended coverage and rental loss as appropriate for the markets where each of the Company’s properties and their business operations are located. The insurance coverage contains policy specifications and insured limits customarily carried for similar properties and business activities. The Company believes its properties are adequately insured. However, there are certain losses, including losses from earthquakes, hurricanes, floods, pollution, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed to be economically feasible or prudent to do so. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of the Company’s properties, the Company could experience a significant loss of capital invested and potential revenues in these properties, and could potentially remain obligated under any recourse debt associated with the property.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FIRST INDUSTRIAL REALTY TRUST, INC.

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FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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 and comprehensive income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of First Industrial Realty Trust, Inc. and its subsidiaries (the "Company") at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 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 standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

As discussed in Note 3 to the consolidated financial statements, on January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

PricewaterhouseCoopers LLP

Chicago, Illinois
March 9, 2004, except for Note 8 and Note 10, as to which the date is July 30, 2004

FIRST INDUSTRIAL REALTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	December 31, 2003	December 31, 2002
ASSETS		
Assets:		
Investment in Real Estate:		
Land	$ 443,942	$ 415,598
Buildings and Improvements	2,180,038	2,158,082
Furniture, Fixtures and Equipment	885	1,258
Construction in Progress	115,935	122,331
Less: Accumulated Depreciation	(349,252)	(308,488)
Net Investment in Real Estate	2,391,548	2,388,781
Real Estate Held for Sale, Net of Accumulated Depreciation and Amortization of $2,135 at December 31, 2002	—	7,040
Cash and Cash Equivalents	821	—
Restricted Cash	82,006	31,118
Tenant Accounts Receivable, Net	8,994	10,578
Investments in Joint Ventures	13,186	12,545
Deferred Rent Receivable	13,912	14,277
Deferred Financing Costs, Net	9,818	12,927
Prepaid Expenses and Other Assets, Net	127,738	152,707
Total Assets	$2,648,023	$2,629,973
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage Loans Payable, Net	$ 45,746	$ 59,989
Senior Unsecured Debt, Net	1,212,152	1,211,860
Unsecured Line of Credit	195,900	170,300
Accounts Payable and Accrued Expenses	77,156	72,807
Rents Received in Advance and Security Deposits	28,889	29,524
Dividends Payable	31,889	31,106
Total Liabilities	1,591,732	1,575,586
Commitments and Contingencies	—	—
Minority Interest	167,118	172,061
Stockholders' Equity:		
Preferred Stock ($.01 par value, 10,000,000 shares authorized, 20,000, 50,000 and 30,000 shares of Series C, D and E Cumulative Preferred Stock, respectively, issued and outstanding at December 31, 2003 and December 31, 2002, having a liquidation preference of $2,500 per share ($50,000), $2,500 per share ($125,000) and $2,500 per share ($75,000), respectively)	1	1
Common Stock ($.01 par value, 100,000,000 shares authorized, 42,376,770 and 41,087,421 shares issued and 39,850,370 and 38,598,321 shares outstanding at December 31, 2003 and December 31, 2002, respectively)	424	411
Additional Paid-in-Capital	1,161,373	1,124,622
Distributions in Excess of Accumulated Earnings	(172,892)	(158,251)
Unearned Value of Restricted Stock Grants	(19,035)	(4,307)
Accumulated Other Comprehensive Loss	(10,110)	(10,559)
Treasury Shares at Cost (2,526,400 shares at December 31, 2003 and 2,489,100 shares at December 31, 2002)	(70,588)	(69,591)
Total Stockholders' Equity	889,173	882,326
Total Liabilities and Stockholders' Equity	$2,648,023	$2,629,973

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

FIRST INDUSTRIAL REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Dollars in thousands, except per share data)

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Revenues:			
Rental Income	$250,145	$231,861	$236,399
Tenant Recoveries and Other Income	78,011	71,273	73,455
Total Revenues	328,156	303,134	309,854
Expenses:			
Real Estate Taxes	48,552	44,842	47,563
Repairs and Maintenance	24,208	19,708	16,484
Property Management	11,729	11,021	10,628
Utilities	10,124	8,128	8,004
Insurance	3,221	2,479	1,823
Other	7,571	8,815	8,869
General and Administrative	26,953	19,610	18,609
Amortization of Deferred Financing Costs	1,764	1,925	1,809
Depreciation and Other Amortization	79,727	65,789	60,856
Valuation Provision on Real Estate	—	—	9,500
Total Expenses	213,849	182,317	184,145
Other Income/Expense:			
Interest Income	2,416	2,378	2,790
Interest Expense	(95,456)	(90,387)	(82,580)
Loss From Early Retirement of Debt	(1,466)	(888)	(10,309)
Total Other Income/Expense	(94,506)	(88,897)	(90,099)
Income from Continuing Operations Before Equity in Income of Joint Ventures and Income Allocated to Minority Interest	19,801	31,920	35,610
Equity in Income (Loss) of Joint Ventures	539	463	(791)
Minority Interest Allocable to Continuing Operations	(166)	(758)	(732)
Income from Continuing Operations	20,174	31,625	34,087
Income from Discontinued Operations (Including Gain on Sale of Real Estate of $79,072 and $54,657 for the Year Ended December 31, 2003 and 2002, respectively)	94,163	87,716	39,913
Minority Interest Allocable to Discontinued Operations	(13,870)	(13,141)	(6,119)
Income Before Gain on Sale of Real Estate	100,467	106,200	67,881
Gain on Sale of Real Estate	15,605	16,476	64,347
Minority Interest Allocable to Gain on Sale of Real Estate	(2,299)	(2,468)	(9,864)
Net Income	113,773	120,208	122,364
Less: Preferred Stock Dividends	(20,176)	(23,432)	(30,001)
Less: Redemption of Series A Preferred Stock	—	—	(4,577)
Less: Redemption of Series B Preferred Stock	—	(3,707)	—
Net Income Available to Common Stockholders	$ 93,597	$ 93,069	$ 87,786
Income from Continuing Operations Available to Common Stockholders Per Weighted Average Common Share Outstanding:			
Basic	$ 0.35	$ 0.48	$ 1.39
Diluted	$ 0.34	$ 0.47	$ 1.38
Net Income Available to Common Stockholders Per Weighted Average Common Share Outstanding:			
Basic	$ 2.43	$ 2.39	$ 2.26
Diluted	$ 2.42	$ 2.38	$ 2.24
Net Income	$113,773	$120,208	$122,364
Other Comprehensive Income (Loss):			
Cumulative Transition Adjustment	—	—	(14,920)
Settlement of Interest Rate Protection Agreement	—	1,772	(191)
Mark-to-Market of Interest Rate Protection Agreements and Interest Rate Swap Agreements	251	(126)	(231)
Write-Off of Unamortized Interest Rate Protection Agreement Due to Early Retirement of Debt	—	—	2,156
Amortization of Interest Rate Protection Agreements	198	176	805
Comprehensive Income	$114,222	$122,030	$109,983

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

FIRST INDUSTRIAL REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except for per share data)

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Preferred Stock - Beginning of Year	$ 1	$ 1	$ 18
Redemption of Series A Preferred Stock	—	—	(17)
Redemption of Series B Preferred Stock	—	—	—
Preferred Stock - End of Year	$ 1	$ 1	$ 1
Common Stock - Beginning of Year	$ 411	$ 403	$ 392
Net Proceeds from the Issuance of Common Stock	6	6	8
Issuance of Restricted Stock	7	1	1
Repurchase and Retirement of Restricted Stock	(1)	(1)	(1)
Conversion of Units to Common Stock	1	2	3
Common Stock - End of Year	$ 424	$ 411	$ 403
Additional Paid-In-Capital - Beginning of Year	$1,124,622	$1,197,877	$1,205,435
Net Proceeds from the Issuance of Common Stock	15,111	16,241	18,886
Issuance of Restricted Stock	20,634	3,231	3,132
Repurchase and Retirement of Restricted Stock	(1,797)	(1,694)	(1,568)
Amortization of Stock Based Compensation	54	646	899
Redemption of Series A Preferred Stock	—	—	(36,701)
Redemption of Series B Preferred Stock	—	(96,293)	—
Conversion of Units to Common Stock	2,749	4,614	7,794
Additional Paid-In-Capital - End of Year	$1,161,373	$1,124,622	$1,197,877
Dist. In Excess of Accum. Earnings - Beginning of Year	$ (158,251)	$ (143,958)	$ (126,962)
Preferred Stock Dividends ($215.624 per Series C Preferred Share, $198.748 per Series D Preferred Share and $197.500 per Series E Preferred Share at December 31, 2003, 2002 and 2001, $81.424 and $218.750 per Series B Preferred Share at December 31, 2002 and 2001, respectively, and $.652 per Series A Preferred Share at December 31, 2001)	(20,176)	(23,432)	(30,001)
Distributions ($2.7400, $2.7250 and $2.6525 per Share/Unit at December 31, 2003, 2002 and 2001, respectively)	(126,699)	(125,785)	(123,118)
Redemption of Series A Preferred Stock	—	—	(4,577)
Redemption of Series B Preferred Stock	—	(3,148)	—
Repurchase and Retirement of Restricted Stock	(67)	(342)	(375)
Net Income Before Minority Interest	130,108	136,575	139,079
Minority Interest:			
Allocation of Income	(16,335)	(16,926)	(16,715)
Distributions ($2.7400, $2.7250 and $2.6525 per Share/Unit at December 31, 2003, 2002 and 2001, respectively)	18,528	18,765	18,711
Dist. In Excess of Accum. Earnings - End of Year	$ (172,892)	$ (158,251)	$ (143,958)
Unearned Value of Rest. Stock Grants - Beginning of Year	$ (4,307)	$ (6,247)	$ (8,812)
Issuance of Restricted Stock	(20,641)	(3,232)	(3,133)
Amortization of Restricted Stock Grants	5,913	5,172	5,698
Unearned Value of Rest. Stock Grants - End of Year	$ (19,035)	$ (4,307)	$ (6,247)
Treasury Shares, at cost - Beginning of Year	$ (69,591)	$ (40,098)	$ (11,699)
Purchase of Treasury Shares	(997)	(29,493)	(28,399)
Treasury Shares, at cost - End of Year	$ (70,588)	$ (69,591)	$ (40,098)
Accum. Other Comprehensive Income (Loss)- Beginning of Year	$ (10,559)	$ (12,381)	$ —
Cumulative Transition Adjustment	—	—	(14,920)
Settlement of Interest Rate Protection Agreements	—	1,772	(191)
Mark-to-Market of Interest Rate Protection Agreements	251	(126)	(231)
Write-Off of Unamortized Interest Rate Protection Agreements Due to the Early Retirement of Debt	—	—	2,156
Amortization of Interest Rate Protection Agreements	198	176	805
Accum. Other Comprehensive Income (Loss)- End of Year	$ (10,110)	$ (10,559)	$ (12,381)
Total Stockholders' Equity at End of Year	$ 889,173	$ 882,326	$ 995,597

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

FIRST INDUSTRIAL REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 113,773	$ 120,208	$ 122,364
Income Allocated to Minority Interest	16,335	16,367	16,715
Net Income Before Minority Interest	130,108	136,575	139,079
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	73,902	67,525	65,944
Amortization of Deferred Financing Costs	1,764	1,925	1,809
Other Amortization	17,846	15,295	15,465
Valuation Provision on Real Estate	—	—	9,500
Provision for Bad Debt	(160)	—	—
Loss From Early Retirement of Debt	1,466	888	10,309
Equity in (Income) Loss of Joint Ventures	(539)	(463)	791
Distributions from Joint Ventures	539	463	—
Gain on Sale of Real Estate	(94,677)	(71,133)	(64,347)
Increase in Tenant Accounts Receivable and Prepaid Expenses and Other Assets, Net	(24,380)	(13,701)	(20,438)
Increase in Deferred Rent Receivable	(2,597)	(1,947)	(3,499)
Decrease in Accounts Payable and Accrued Expenses and Rents Received in Advance and Security Deposits	(6,454)	(3,728)	(6,070)
Decrease (Increase) in Restricted Cash	2,742	(102)	(1,452)
Net Cash Provided by Operating Activities	99,560	131,597	147,091
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of and Additions to Investment in Real Estate	(312,356)	(337,399)	(400,008)
Net Proceeds from Sales of Investments in Real Estate	325,585	365,687	352,975
Contributions to and Investments in Joint Ventures	(5,711)	(8,207)	(6,025)
Distributions from Joint Ventures	2,859	2,260	1,524
Repayment of Mortgage Loans Receivable	75,886	20,502	9,870
(Increase) Decrease in Restricted Cash	(53,630)	(8,252)	2,903
Net Cash Provided by (Used In) Investing Activities	32,633	34,591	(38,761)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net Proceeds from the Issuance of Common Stock	14,799	15,895	18,521
Repurchase of Restricted Stock	(1,865)	(2,037)	(1,944)
Purchase of Treasury Shares	(997)	(29,493)	(28,399)
Purchase of U.S. Government Securities	—	(13,669)	(1,123)
Proceeds from Maturity of U.S. Government Securities	15,832	—	—
Proceeds from Senior Unsecured Debt	—	247,950	199,390
Other Proceeds from Senior Unsecured Debt	—	1,772	—
Repayments of Senior Unsecured Debt	—	(84,930)	(100,000)
Redemption of Preferred Stock	—	(100,000)	(41,295)
Dividends/Distributions	(125,916)	(125,875)	(122,203)
Preferred Stock Dividends	(20,176)	(23,432)	(38,212)
Repayments on Mortgage Loans Payable	(38,529)	(39,234)	(15,042)
Proceeds from Unsecured Lines of Credit	264,300	500,100	398,300
Repayments on Unsecured Lines of Credit	(238,700)	(512,300)	(385,800)
Book Overdraft	—	2,885	10,709
Cost of Debt Issuance and Prepayment Fees	(120)	(3,820)	(8,963)
Net Cash Used in Financing Activities	(131,372)	(166,188)	(116,061)
Net Increase (Decrease) in Cash and Cash Equivalents	821	—	(7,731)
Cash and Cash Equivalents, Beginning of Period	—	—	7,731
Cash and Cash Equivalents, End of Period	$ 821	$ —	$ —

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"), FI 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 sole stockholder of First Industrial Development Services, Inc. The Company, through separate wholly-owned limited liability companies of which the Operating Partnership is the sole member, also owns minority equity interests in, and provides asset and property management services to two joint ventures which invest in industrial properties, the September 1998 Joint Venture (hereinafter defined) and the December 2001 Joint Venture (hereinafter defined). The Company, through a wholly-owned limited liability company of which the Operating Partnership is the sole member, also owned a minority equity interest in and provided asset and property management services to a third joint venture which invested in industrial properties (the "September 1999 Joint Venture"). During September 2003, the September 1999 Joint Venture sold its remaining property. In conjunction with this final property sale, the final distribution was made to the partners. In May 2003, the Company, through wholly-owned limited liability companies of which the Operating Partnership is the sole member, entered into a joint venture arrangement (the "May 2003 Joint Venture") with an institutional investor to invest in industrial properties. As of December 31, 2003, the May 2003 Joint Venture did not own any industrial properties.

As of December 31, 2003, the Company owned 834 in-service properties located in 22 states, containing an aggregate of approximately 57.9 million square feet (unaudited) of gross leasable area ("GLA"). Of the 834 properties owned by the Company, 691 are held by the Operating Partnership, 19 are held by the Financing Partnership, 15 are held by the Securities Partnership, 15 are held by the Mortgage Partnership, 41 are held by the Pennsylvania Partnership, 10 are held by the Harrisburg Partnership, four are held by the Indianapolis Partnership, one is held by TK-SV, LTD., 11 are held by limited liability companies of which the Operating Partnership is the sole member and 27 are held by First Industrial Development Services, Inc.

2. Basis of Presentation

First Industrial Realty Trust, Inc. is the sole general partner of the Operating Partnership, with an approximate 85.6% and 85.0% ownership interest at December 31, 2003 and 2002, respectively. Minority interest at December 31, 2003 and 2002, represents the approximate 14.4% and 15.0%, respectively, aggregate partnership interest in the Operating Partnership held by the limited partners thereof.

The consolidated financial statements of the Company at December 31, 2003 and 2002 and for each of the years ended December 31, 2003, 2002 and 2001 include the accounts and operating results of the Company and its subsidiaries. Such financial statements present the Company's minority equity interests in the September 1998 Joint Venture (hereinafter defined), the September 1999 Joint Venture (hereinafter defined) and the December 2001 Joint Venture (hereinafter defined) under the equity method of accounting. All 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, 2003 and 2002, and the

(Dollars in thousands)

3. Summary of Significant Accounting Policies, continued

reported amounts of revenues and expenses for each of the years ended December 31, 2003, 2002 and 2001. 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 term maturity of these investments.

Restricted Cash

At December 31, 2003 and 2002, restricted cash includes 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. At December 31, 2002 restricted cash also included cash reserves required to be set aside under the 1995 Mortgage Loan (hereinafter defined) for payment of real estate taxes, capital expenditures, interest, security deposit refunds, insurance and re-leasing costs. The carrying amount approximates fair value due to the short term maturity of these investments.

Investment in Real Estate and Depreciation

Investment in Real Estate is carried at cost. The Company reviews its properties on a quarterly basis for impairment and provides a provision if impairments are found. To determine if an impairment may exist, the Company reviews its properties and identifies those that have had either an event of change or event of circumstances warranting further assessment of recoverability (such as a decrease in occupancy). If further assessment of recoverability is needed, the Company estimates the future net cash flows expected to result from the use of the property and its eventual disposition, on an individual property basis. If the sum of the expected future net cash flows (undiscounted and without interest charges) is less than the carrying amount of the property on an individual property basis, the Company will recognize an impairment loss based upon the estimated fair value of such property. 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, less costs to dispose. If circumstances arise that were previously considered unlikely, and, as a result, the Company decides not to sell a property previously classified as held for sale, the Company will reclassify such property as held and used. Such property is measured at the lower of its carrying amount (adjusted for any depreciation and amortization expense that would have been recognized had the property been continuously classified as held and used) or fair value at the date of the subsequent decision not to sell. The Company classifies properties as held for sale when the Company has an executed contract to sell.

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

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

Construction expenditures for tenant improvements, leasehold improvements and leasing commissions (inclusive of compensation costs of leasing personnel) 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.

The Company accounts for all acquisitions entered into subsequent to June 30, 2001 in accordance with Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standard No. 141, "Business Combinations" ("FAS 141"). Upon acquisition of a property, the Company allocates the purchase price of the

3. Summary of Significant Accounting Policies, continued

property based upon the fair value of the assets acquired, which generally consist of land, buildings, tenant improvements, leasing commissions and intangible assets including in-place leases and above market and below market leases. The Company allocates the purchase price to the fair value of the tangible assets of an acquired property determined by valuing the property as if it were vacant. Acquired above and below market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates over the remaining lease term.

The purchase price is further allocated to in-place lease values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Acquired above and below market leases are amortized over the remaining non-cancelable terms of the respective leases. The value of in-place lease intangibles, which is included as a component of Other Assets, is amortized to expense over the remaining lease term and expected renewal periods of the respective lease. If a tenant terminates its lease early, the unamortized portion of the tenant improvements, leasing commissions above and below market leases and the in-place lease value is immediately charged to expense.

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 $8,948 and $7,618 at December 31, 2003 and 2002, respectively. Unamortized deferred financing costs are written-off when debt is retired before the maturity date.

Investments in Joint Ventures

Investments in Joint Ventures represents the Company's minority equity interests in the September 1998 Joint Venture (hereinafter defined), the September 1999 Joint Venture (hereinafter defined) and the December 2001 Joint Venture (hereinafter defined). Investments in Joint Ventures are accounted for under the equity method of accounting, as the Company does not have operational control or a majority voting interest. Under the equity method of accounting, the Company's share of earnings or losses of the September 1998 Joint Venture (hereinafter defined), the September 1999 Joint Venture (hereinafter defined) and the December 2001 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. Differences between the Company's carrying value of its investments in joint ventures and the Company's underlying equity of such joint ventures are amortized over the respective lives of the underlying assets, as applicable.

Employee Benefit Plans

At December 31, 2003, the Company has three stock incentive employee compensation plans, which are described more fully in Note 12. Prior to January 1, 2003, the Company accounted for its stock incentive plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Under APB 25, compensation expense is not recognized for options issued in which the strike price is equal to the fair value of the Company's stock on the date of grant. 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. On January 1, 2003, the Company adopted the fair value recognition provisions of the FASB Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("FAS 123"), as amended by FASB Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". The Company is applying the fair value recognition provisions of FAS 123 prospectively to all employee option awards granted after December 31, 2002. The Company has not awarded options to employees or directors of the Company during the year ended December 31, 2003, therefore no stock- based employee compensation expense, except for expense related to restricted stock, is included in net income available to common stockholders related to the fair value recognition provisions of FAS 123.

(Dollars in thousands)

3. Summary of Significant Accounting Policies, continued

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 FASB Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", as amended by FAS 148, net income and earnings per share would have been the pro forma amounts indicated in the table below:

	For the Year Ended		
	2003	2002	2001
Net Income Available to Common Stockholders - as reported	$93,597	$93,069	$87,786
Add: Stock-Based Employee Compensation Expense Included in Net Income Available to Common Stockholders, Net of Minority Interest - as reported	46	201	217
Less: Total Stock-Based Employee Compensation Expense, Net of Minority Interest - Determined Under the Fair Value Method	(1,149)	(980)	(666)
Net Income Available to Common Stockholders - pro forma	$92,494	$92,290	$87,337
Net Income Available to Common Stockholders per Share - as reported - Basic	$ 2.43	$ 2.39	$ 2.26
Net Income Available to Common Stockholders per Share - pro forma - Basic	$ 2.40	$ 2.37	$ 2.25
Net Income Available to Common Stockholders per Share - as reported - Diluted	$ 2.42	$ 2.38	$ 2.24
Net Income Available to Common Stockholders per Share - pro forma - Diluted	$ 2.39	$ 2.36	$ 2.23
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	N/A	8.28%	8.22%
Expected stock price volatility	N/A	20.94%	20.75%
Risk-free interest rate	N/A	3.58%	4.91%
Expected life of options	N/A	3.00	3.03
The weighted average fair value of options granted during 2002 and 2001 is $1.97 and $2.49 per option, respectively. The Company did not issue any options in 2003.			

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.

Revenue is recognized on payments received from tenants for early lease terminations after the Company determines that all the necessary criteria have been met in accordance with FASB Statement of Financial Accounting Standards No. 13, "Accounting for Leases" ("FAS 13").

The Company provides an allowance for doubtful accounts against the portion of tenant accounts receivable which is estimated to be uncollectible. Accounts receivable in the consolidated balance sheets are shown net of an allowance for doubtful accounts of $1,890 and $2,050 as of December 31, 2003 and December 31, 2002, respectively. For accounts receivable the Company deems uncollectible, the Company uses the direct write-off method.

3. Summary of Significant Accounting Policies, continued

Gain on Sale of Real Estate

Gain on sale of real estate is recognized using the full accrual method, when appropriate. Gains relating to transactions which do not meet the full accrual method of accounting are deferred and recognized when the full accrual method of 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 to the extent that it satisfies the requirements set forth in Section 856 of the Code (pertaining to its organization and types of income and assets) necessary to maintain its status as a REIT, and it distributes annually at least 90% 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 state or federal income taxes in the accompanying consolidated financial statements except for activities conducted in its taxable REIT subsidiary, First Industrial Development Services, Inc. The provision for such state and federal income taxes has been reflected in gain on sale of real estate or the gain component of income from discontinued operations in the consolidated statements of operations and comprehensive income and has not been separately stated due to its insignificance.

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 comprehensive income 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 declared on common stock for the year ended December 31, 2003, totaling approximately $108,171, are characterized 42.03% ($1.1516 per share) as ordinary income, 9.73% ($0.2666 per share) as 25 percent rate capital gain, 4.14% ($0.1134 per share) as 20 percent rate capital gain, 18.39% ($0.5039 per share) as a 15 percent rate capital gain and 25.71% ($0.7045 per share) as return of capital. Of the 4.14% of such dividends that qualify as 20 percent rate capital gain, 64.66% ($0.0733 per share or 2.677 percentage points) qualify as “qualified 5-year gain,” to which, for certain taxpayers, a lower rate will apply. Distributions declared on common stock for the year ended December 31, 2002, totaling approximately $107,020, are characterized 42.16% ($1.1489 per share) as ordinary income, 4.47% ($0.1218 per share) as short term capital gain, 14.11% ($0.3845 per share) as 20 percent rate capital gain, 9.23% ($0.2515 per share) as a 25 percent rate capital gain and 30.03% ($0.8183 per share) as return of capital. Of the 14.11% of such dividends that qualify as 20 percent rate capital gain, 51.67% ($.1987 per share or 7.29 percentage points) qualify as “qualified 5-year gain,” to which, for certain taxpayers, a lower rate will apply. Distributions declared for the year ended December 31, 2001, totaling approximately $104,407, are characterized 67.7% ($1.80 per share) as ordinary income, 6.1% ($.16 per share) as 20% rate capital gain, 5.7% ($.15 per share) as a 25% rate capital gain and 20.5% ($.54 per share) as return of capital.

Additionally, for tax purposes, 56.57% of the Company’s 2003 preferred stock dividends qualify as ordinary income, 13.10% qualify as 25 percent rate capital gain, 5.58% qualify as 20 percent rate capital gain and 24.75% qualify as 15 percent rate capital gain. Of the 5.58% of such dividends that qualify as 20 percent rate capital gain, 64.66% (or 3.608 percentage points) qualify as a “qualified 5-year gain.”

3. Summary of Significant Accounting Policies, continued

Earnings Per Common Share

Net income per weighted average share - basic is based on the weighted average common shares outstanding (excluding restricted stock that has not yet vested). Net income per weighted average share - diluted is based on the weighted average common shares outstanding (excluding restricted stock that has not yet vested) plus the dilutive effect of in-the-money employee stock options and restricted stock. See Note 10 for further disclosure about earnings per share.

Fair Value of Financial Instruments

The Company’s financial instruments include short-term investments, tenant accounts receivable, mortgage notes receivable, accounts payable, other accrued expenses, mortgage loans payable, unsecured line of credit, senior unsecured debt and the Put Option (defined hereinafter) issued in conjunction with an initial offering of certain unsecured debt.

The fair values of the short-term investments, tenant accounts receivable, mortgage notes receivable, accounts payable and other accrued expenses were not materially different from their carrying or contract values. See Note 5 for the fair values of the mortgage loans payable, unsecured line of credit, senior unsecured debt and the Put Option (defined hereinafter) issued in conjunction with an initial offering of certain 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 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 Agreements used to convert floating rate debt to fixed rate debt are recognized as a component of interest expense. Agreements which qualify for hedge accounting are marked-to-market and any gain or loss is recognized in other comprehensive income (shareholders’ equity). 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. See Note 5 for more information on the Agreements.

Discontinued Operations

On January 1, 2002, the Company adopted the FASB Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long Lived Assets” (“FAS 144”). FAS 144 addresses financial accounting and reporting for the disposal of long lived assets. FAS 144 requires that the results of operations and gains or losses on the sale of property sold subsequent to December 31, 2001 that were not classified as held for sale at December 31, 2001 as well as the results of operations from properties that were classified as held for sale subsequent to December 31, 2001 be presented in discontinued operations if both of the following criteria are met: (a) the operations and cash flows of the property have been (or will be) eliminated from the ongoing operations of the Company as a result of the disposal transaction and (b) the Company will not have any significant involvement in the operations of the property after the disposal transaction. FAS 144 also requires prior period results of operations for these properties to be restated and presented in discontinued operations in prior consolidated statements of operations.

Segment Reporting

Management views the Company as a single segment.

3. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

In January 2003, the FASB issued FIN 46, which provides guidance on how to identify a variable interest entity ("VIE") and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE are to be included in an entity's consolidated financial statements. A VIE exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investors lack one of three characteristics associated with owning a controlling financial interest. In December 2003, the FASB reissued FIN 46 with certain modifications and clarifications. Application of this guidance was effective for interests in certain VIEs commonly referred to as special-purpose entities (SPEs) as of December 31, 2003. Application for all other types of entities is required for periods ending after March 15, 2004, unless previously applied. The Company does not believe that the application of FIN 46 will have an impact on its financial position, results of operations, or liquidity.

Reclassification

On January 1, 2003, the Company adopted the FASB Statement of Financial Accounting Standard No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("FAS 145"). FAS 145 rescinds FAS 4, FAS 44 and FAS 64 and amends FAS 13 to modify the accounting for sales-leaseback transactions. FAS 4 required the classification of gains and losses resulting from extinguishment of debt to be classified as extraordinary items. Pursuant to the adoption of FAS 145, the Company reclassified amounts shown as extraordinary for the years ended December 31, 2002 and 2001 to continuing operations.

In July 2003, the Securities and Exchange Commission (the "SEC") issued a clarification on Emerging Issues Task Force ("EITF") Abstract, Topic No. D 42, "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock" ("EITF 42"). This clarification of EITF 42, states for the purpose of calculating the excess of (1) fair value of the consideration transferred to the holders of the preferred stock over (2) the carrying amount of the preferred stock in the balance sheet, the carrying amount of the preferred stock should be reduced by the issuance costs of the preferred stock. This clarification was effective in the first fiscal period ending after June 15, 2003 and required prior periods presented to be restated. Pursuant to EITF 42, the Company restated net income available to common stockholders and net income available to common stockholders per share amounts for the years ended December 31, 2002 and 2001 by reducing net income available to common stockholders for the initial issuance costs related to the redemption of the Company's 8.75%, $.01 par value, Series B Cumulative Preferred Stock (the "Series B Preferred Stock") on May 14, 2002 and the redemption of the Company's 9.5%, $.01 par value, Series A Cumulative Preferred Stock, (the "Series A Preferred Stock") on April 9, 2001. The impact of the adoption of EITF 42 for the years ended December 31, 2002 and 2001 was a reduction of basic EPS of $.08 and $.11, respectively, and a reduction of diluted EPS of $.08 and $.12, respectively.

Certain 2002 and 2001 items have been reclassified to conform to the 2003 presentation.

(Dollars in thousands)

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 ten percent 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 right to purchase 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 right.

On September 2, 1999, the Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, entered into a 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, owned a ten percent equity interest in the September 1999 Joint Venture and provided property and asset management services to the September 1999 Joint Venture. During September 2003, the September 1999 Joint Venture sold its remaining property. In conjunction with this final property sale, the final distribution was made to the partners.

On December 28, 2001, 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 "December 2001 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 15% equity interest in the December 2001 Joint Venture and provides property management services to the December 2001 Joint Venture. Thirty of the 36 industrial properties were purchased from the Company. The Company deferred 15% of the gain resulting from these sales which is equal to the Company's economic interest in the December 2001 Joint Venture. The 15% gain deferral reduced the Company's investment in joint ventures and is amortized into income over the life of the sold property, generally 40 years. If the December 2001 Joint Venture sells any of the 30 properties that the Company sold to the December 2001 Joint Venture to a third party, the Company will recognize the unamortized portion of the deferred gain as gain on sale of real estate. If the Company repurchases any of the 30 properties that it sold to the December 2001 Joint Venture, the 15% gain deferral will be netted against the basis of the property purchased (which reduces the basis of the property).

During the years ended December 2003, 2002 and 2001, the Company invested the following amounts in its three joint ventures as well as received distributions and recognized fees from acquisition, disposition, property management and asset management services in the following amounts:

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Contributions	$5,558	$8,207	$6,025
Distributions	$3,398	$2,723	$1,524
Fees	$2,173	$1,863	$2,377

(Dollars in thousands)

4. Investments in Joint Ventures, continued

The combined summarized financial information of the investments in joint ventures is as follow:

	December 31, 2003	December 31, 2002
Condensed Combined Balance Sheets		
Gross Real Estate Investment	$348,030	$295,470
Less: Accumulated Depreciation	(15,330)	(11,482)
Net Real Estate	332,700	283,988
Other Assets	16,750	19,379
Total Assets	$349,450	$303,367
Long Term Debt	$217,413	$184,010
Other Liabilities	6,596	7,974
Equity	125,441	111,383
Total Liabilities and Equity	$349,450	$303,367
Company's share of Equity	$ 18,205	$ 15,113
Basis Differentials (1)	(5,019)	(2,568)
Carrying Value of the Company's investments in joint ventures	$ 13,186	$ 12,545

(1) This amount represents the aggregate difference between the Company's historical cost basis and the basis reflected at the joint venture level. Basis differentials are primarily comprised of gain deferrals related to properties the Company sold to the Joint Ventures and certain acquisition costs which are not reflected at the joint venture level.

	Year Ended December 31,		
	2003	2002	2001
Condensed Combined Statements of Operations			
Total Revenues	35,603	34,635	38,983
Expenses			
Operating and Other	9,693	14,482	13,473
Interest	7,353	10,554	15,377
Depreciation and Amortization	8,711	6,955	6,354
Total Expenses	25,757	31,991	35,204
Gain (Loss) on Sale of Real Estate	(2,069)	8,231	(6,024)
Net Income (Loss)	7,777	10,875	(2,245)
Company's share of Net Income (Loss)	539	463	(791)

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

Mortgage Loans Payable, Net

On December 29, 1995, the Company, through an entity in which the Operating Partnership is the sole limited partner and a wholly-owned subsidiary of the Company is the general partner (the "Mortgage Partnership"), entered into a $40,200 mortgage loan (the "1995 Mortgage Loan"). On January 13, 2003, the Company, through the Mortgage Partnership, paid off and retired the 1995 Mortgage Loan. As this pay off and retirement was prior to the stated maturity date of the 1995 Mortgage Loan, the Company wrote off unamortized deferred financing costs in the amount of approximately $1,466.

Under the terms of the 1995 Mortgage Loan, certain cash reserves were required to be set aside for payments of tenant security deposit refunds, payments of capital expenditures, interest, real estate taxes, insurance and re-leasing costs. At December 31, 2002, these reserves totaled $2,742 and were included in restricted cash. On January 13, 2003, the Company, through the Mortgage Partnership, paid off and retired the 1995 Mortgage Loan at which time such cash reserves were released to the Company.

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 12 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 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 April 1, 2002, the Company, through the Operating Partnership, assumed a mortgage loan in the principal amount of $5,814 (the "Acquisition Mortgage Loan VIII"). The Acquisition Mortgage Loan VIII is collateralized by one property in Rancho Dominguez, California, bears interest at a fixed rate of 8.26% and provides for monthly principal and interest payments based on a 22-year amortization schedule. The Acquisition Mortgage Loan VIII matures on December 1, 2019. The Acquisition Mortgage Loan VIII may be prepaid only after November 2004 in exchange for the greater of a 1% prepayment fee or yield maintenance premium.

On April 1, 2002, the Company, through the Operating Partnership, assumed a mortgage loan in the principal amount of $6,030 (the "Acquisition Mortgage Loan IX"). The Acquisition Mortgage Loan IX is collateralized by one property in Rancho Dominguez, California, bears interest at a fixed rate of 8.26% and provides for monthly principal and interest payments based on a 22-year amortization schedule. The Acquisition Mortgage Loan IX matures on December 1, 2019. The Acquisition Mortgage Loan IX may be prepaid only after November 2004 in exchange for the greater of a 1% prepayment fee or yield maintenance premium.

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

On May 1, 2003, the Company, through the Operating Partnership, assumed a mortgage loan in the amount of $14,157 (the “Acquisition Mortgage Loan X”). The Acquisition Mortgage Loan X is collateralized by one property in Hagerstown, Maryland, bears interest at a fixed rate of 8.25% and provides for monthly principal and interest payments based on a 30-year amortization schedule. The Acquisition Mortgage Loan X matures on December 1, 2010. In conjunction with the assumption of the Acquisition Mortgage Loan X, the Company recorded a premium in the amount of $2,927 which will be amortized over the remaining life of the Acquisition Mortgage Loan X as an adjustment to interest expense.

On September 12, 2003, the Company, through the Operating Partnership, assumed a mortgage loan in the amount of $4,269 (the “Acquisition Mortgage Loan XI”). The Acquisition Mortgage Loan XI is collateralized by one property in Downers Grove, Illinois, bears interest at a fixed rate of 7.61% and provides for monthly principal and interest payments based on a 30-year amortization schedule. The Acquisition Mortgage Loan XI matures on May 1, 2012. In conjunction with the assumption of the Acquisition Mortgage Loan XI, the Company recorded a premium in the amount of $621 which will be amortized over the remaining life of the Acquisition Mortgage Loan XI as an adjustment to interest expense.

On September 12, 2003, the Company, through the Operating Partnership, assumed a mortgage loan in the amount of $2,325 (the “Acquisition Mortgage Loan XII”). The Acquisition Mortgage Loan XII is collateralized by one property in Indianapolis, Indiana, bears interest at a fixed rate of 7.54% and provides for monthly principal and interest payments based on a 30-year amortization schedule. The Acquisition Mortgage Loan XII matures on January 1, 2012. In conjunction with the assumption of the Acquisition Mortgage Loan XII, the Company recorded a premium in the amount of $317 which will be amortized over the remaining life of the Acquisition Mortgage Loan XII as an adjustment to interest expense.

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 Company settled the interest rate protection agreement for a payment of approximately $41, which is included in other comprehensive income. 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 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 were redeemable, at the option of the holders thereof, on May 15, 2002. The Company received redemption notices from holders representing $84,930 of the 2027 Notes outstanding. On May 15, 2002, the Company, through the Operating Partnership, paid off and retired $84,930 of the 2027 Notes. Due to the partial payoff of the 2027 Notes, the Company has recorded a loss from the early retirement of debt in 2002 of approximately $888 comprised of the amount paid above the carrying amount of the 2027 notes, the write-off of the pro rata unamortized deferred financing costs and legal costs. 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 Company settled the interest rate protection agreement for approximately $597 of proceeds, which is included in other comprehensive income. 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.

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

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 PATS"). The issue price of the 2011 PATS was 99.348%. Interest is paid semi-annually in arrears on May 15 and November 15. The 2011 PATS are redeemable, at the option of the holder thereof, on May 15, 2004 (the "Put Option"). If the 2011 PATS are not redeemed on May 15, 2004, the 2011 PATS will be reissued and the interest rate on the 2011 PATSwill be reset at a fixed rate until May 15, 2011 based upon a predetermined formula. 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 PATS prior to issuance. The Company settled the interest rate protection agreement for a payment of approximately $90, which is included in other comprehensive income. The debt issue discount and the settlement amount of the interest rate protection agreement are being amortized over the life of the 2011 PATS as an adjustment to interest expense. The 2011 PATS 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 Company settled the interest rate protection agreement for a payment of approximately $2,162, which is included in other comprehensive income. 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 senior 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 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 were to mature on April 5, 2011 and bore a coupon interest rate of 6.50% (the "2011 Drs."). The issue price of the 2011 Drs. was 99.753%. The 2011 Drs. were callable at the option of J.P. Morgan, Inc., as Remarketing Dealer, on April 5, 2001. The Company received approximately $2,760 of proceeds from the Remarketing Dealer. The Company also entered into an interest rate protection agreement which was used to fix the interest rate on the 2011 Drs. prior to issuance. The Company settled the interest rate protection agreement for a payment of approximately $2,565, which is included in other comprehensive income. The Remarketing Dealer exercised its call option with respect to the 2011 Drs. On April 5, 2001, the Company repurchased and retired the 2011 Drs. from the Remarketing Dealer for approximately $105,565. In conjunction with the forecasted retirement of the 2011 Drs., the Company entered into an interest rate protection agreement which fixed the retirement price of the 2011 Drs. which it designated as a cash flow hedge. On April 2, 2001, this interest rate protection agreement was settled for a payment of approximately $562. Due to the retirement of the 2011 Drs., the Company recorded a loss from the early retirement of debt in 2001 of approximately $9,245 comprised of the amount paid above the 2011 Drs. carrying value, the write-off of unamortized deferred financing costs, the write-off of the unamortized portion of an interest rate protection agreement which was used to fix the interest rate on the 2011 Drs. prior to issuance, the settlement of the interest rate protection agreement as discussed above, legal costs and other expenses.

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

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 entered into interest rate protection agreements which were used to fix the interest rate on the 2028 Notes prior to issuance. The Company settled the interest rate protection agreements for a payment of approximately $11,504, which is included in other comprehensive income. The debt issue discount and the settlement amount of the interest rate protection agreements are being amortized over the life of the 2028 Notes as an adjustment to interest expense. The 2028 Notes contain certain covenants including limitation on incurrence of debt and debt service coverage. Approximately $50,000 of the 2028 Notes was purchased, through a broker/dealer, by an entity in which a Director of the Company owns less than a two percent interest.

On March 19, 2001, the Company, through the Operating Partnership, issued $200,000 of senior unsecured debt which matures on March 15, 2011 and bears a coupon interest rate of 7.375% (the "2011 Notes"). The issue price of the 2011 Notes was 99.695%. Interest is paid semi-annually in arrears on September 15 and March 15. 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, which it designated as a cash flow hedge. The Company settled the interest rate protection agreement for approximately $371 of proceeds, which is included in other comprehensive income. 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 limitations on incurrence of debt and debt service coverage.

On April 15, 2002, the Company, through the Operating Partnership, issued $200,000 of senior unsecured debt which matures on April 15, 2012 and bears a coupon interest rate of 6.875% (the "2012 Notes"). The issue price of the 2012 Notes was 99.310%. Interest is paid semi-annually in arrears on April 15 and October 15. The Company also entered into interest rate protection agreements which were used to fix the interest rate on the 2012 Notes prior to issuance. The Company settled the interest rate protection agreements for approximately $1,772 of proceeds, which is included in other comprehensive income. The debt issue discount and the settlement amount of the interest rate protection agreements are being amortized over the life of the 2012 Notes as an adjustment to interest expense. The 2012 Notes contain certain covenants including limitations on incurrence of debt and debt service coverage.

On April 15, 2002, the Company, through the Operating Partnership, issued $50,000 of senior unsecured debt which matures on April 15, 2032 and bears a coupon interest rate of 7.75% (the "2032 Notes"). The issue price of the 2032 Notes was 98.660%. Interest is paid semi-annually in arrears on April 15 and October 15. The debt issue discount is being amortized over the life of the 2032 Notes as an adjustment to interest expense. The 2032 Notes contain certain covenants including limitations on incurrence of debt and debt service coverage.

Unsecured Lines of Credit

In December 1997, the Company entered into a $300,000 unsecured revolving credit facility (the "1997 Unsecured Line of Credit") 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 Line of Credit which extended the maturity date to June 30, 2003 and included the right, subject to certain conditions, to increase the aggregate commitment up to $400,000 (the "2000 Unsecured Line of Credit"). On September 27, 2002, the Company amended and restated the 2000 Unsecured Line of Credit (the "2002 Unsecured Line of Credit"). The 2002 Unsecured Line of Credit matures on September 30, 2005 and bears interest at a floating rate of LIBOR plus .70%, or the Prime Rate, at the Company's election. The net unamortized deferred financing costs related to the 2000 Unsecured Line of Credit and any additional deferred financing costs incurred amending the 2002 Unsecured Line of Credit are being amortized over the life of the 2002 Unsecured Line of Credit in accordance with Emerging Issues Task Force Issue 98-14, "Debtor's Accounting for Changes in Line-of-Credit or

(Dollars in thousands)

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

Revolving-Debt Arrangements". The 2002 Unsecured Line of Credit 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 unsecured line of credit:

	Outstanding Balance at		Accrued Interest Payable at		Interest Rate at	
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	December 31, 2003	Maturity Date
Mortgage Loans Payable, Net						
1995 Mortgage Loan	$ —(1)	$ 37,482	$ —	$ 158	(1)	(1)
Assumed Loans	5,442	6,015	—	—	9.250%	01/01/13
Acquisition Mortgage Loan IV	2,130	2,215	16	17	8.950%	10/01/06
Acquisition Mortgage Loan V	2,529(2)	2,598(2)	18	18	9.010%	09/01/06
Acquisition Mortgage Loan VIII	5,603	5,733	39	39	8.260%	12/01/19
Acquisition Mortgage Loan IX	5,811	5,946	40	41	8.260%	12/01/19
Acquisition Mortgage Loan X	16,754(2)	—	100	—	8.250%	12/01/10
Acquisition Mortgage Loan XI	4,854(2)	—	—	—	7.610%	05/01/12
Acquisition Mortgage Loan XII	2,623(2)	—	—	—	7.540%	01/01/12
Total	$ 45,746	$ 59,989	$ 213	$ 273		
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	149,982(3)	149,977(3)	1,457	1,457	7.600%	05/15/07
2011 PATS	99,657(3)	99,610(3)	942	942	7.375%	05/15/11(4)
2017 Notes	99,866(3)	99,857(3)	625	625	7.500%	12/01/17
2027 Notes	15,053(3)	15,052(3)	138	138	7.150%	05/15/27
2028 Notes	199,807(3)	199,799(3)	7,009	7,009	7.600%	07/15/28
2011 Notes	199,563(3)	199,502(3)	4,343	4,343	7.375%	03/15/11
2012 Notes	198,856(3)	198,717(3)	2,903	2,903	6.875%	04/15/12
2032 Notes	49,368(3)	49,346(3)	818	818	7.750%	04/15/32
Total	$1,212,152	$1,211,860	$19,493	$19,493		
Unsecured Line of Credit						
2002 Unsecured Line of Credit	$ 195,900	$ 170,300	$ 336	$ 415	2.207%	09/30/05

(1) The 1995 Mortgage Loan wa s paid off and retired on January 13, 2003.

(2) At December 31, 2003 and December 31, 2002, the Acquisition Mortgage Loan V includes an unamortized premium of $ 102 and $143, respectively. At December 31, 2003 the Acquisition Mortgage Loan X, the Acquisition Mortgage Loan XI and the Acquisition Mortgage Loan XII include unamortized premiums of $2,673, $597 and $305, respectively.

(3) At December 31, 2003, the 2007 Notes, 2011 PATS, 2017 Notes, 2027 Notes , 2028 Notes , 2011 Notes, 2012 Notes and the 2032 Notes are net of unamortized discounts of $18, $ 343, $ 134, $ 17, $193, $437, $1,144 and $632, respectively. At December 31, 2002, the 2007 Notes, 2011 PATS, 2017 Notes, 2027 Notes, 2028 Notes , 2011 Notes, 2012 Notes and the 2032 Notes are net of unamortized discounts of $23 , $390,$ 143, $18, $201, $498, $1,283 and $654, respectively.

(4) The 2011 PATS are redeemable at the option of the holder thereof, on May 15, 2004.

(Dollars in thousands)

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

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

	Amount
2004	$ 1,232
2005	247,249
2006	155,613
2007	151,442
2008	1,571
Thereafter	895,932
Total	$1,453,039

Fair Value

At December 31, 2003 and 2002, the fair value of the Company's mortgage loans payable, senior unsecured debt, unsecured line of credit and Put Option were as follows:

	December 31, 2003		December 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage Loans Payable	$ 45,746	$ 48,939	$ 59,989	$ 63,351
Senior Unsecured Debt	1,212,152	1,332,958	1,211,860	1,325,937
Unsecured Line of Credit (Variable Rate)	195,900	195,900	95,300	95,300
Unsecured Line of Credit (Fixed Rate)	—	—	75,000	75,357
Put Option	95	16,320	350	16,480
Total	$1,453,893	$1,594,117	$1,442,499	$1,576,425

The fair value of the senior unsecured debt was determined by quoted market prices, if available. The fair values of the Company's senior unsecured debt not valued by quoted market prices, mortgage loans payable, the fixed rate portion of the Unsecured Line of Credit and Put 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 variable rate portion of the Unsecured Line of Credit was equal to its carrying value due to the variable interest rate nature of the loan.

Other Comprehensive Income

In conjunction with the prior issuances of senior unsecured debt, the Company entered into interest rate protection agreements to fix the interest rate on anticipated offerings of senior unsecured debt (the "Interest Rate Protection Agreements"). In the next 12 months, the Company will amortize approximately $221 of the Interest Rate Protection Agreements into net income as an increase to interest expense.

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. On or after November 17, 2000, the Series A Preferred Stock became redeemable for cash at the option of the Company, in whole or in part, at $25 per share, or $41,250 in the aggregate, plus dividends accrued and unpaid to the redemption date. On March 9, 2001, the Company called for the redemption of all of the outstanding Series A Preferred Stock at the price of $25 per share, plus accrued and unpaid dividends. The Company redeemed the Series A Preferred Stock on April 9, 2001 and paid a prorated second quarter dividend of $.05872 per share, totaling approximately $97.

On May 14, 1997, the Company issued 4,000,000 Depositary Shares, each representing 1/100th of a share of the Company's 8 -3/4%, $.01 par value, Series B Cumulative Preferred Stock (the "Series B Preferred Stock"), at an initial offering price of $25 per Depositary Share. On or after May 14, 2002, the Series B Preferred Stock became 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. On April 12, 2002, the Company called for the redemption of all of its outstanding Series B Preferred Stock at the price of $25 per Depositary Share, plus accrued and unpaid dividends. The Company redeemed the Series B Preferred Stock on May 14, 2002 and paid a prorated second quarter dividend of $.26736 per Depositary Share, totaling approximately $1,069.

On June 6, 1997, the Company issued 2,000,000 Depositary Shares, each representing 1/100th of a share of the Company's 8 5/8%, $.01 par value, Series C Cumulative Preferred Stock (the "Series C Preferred Stock"), at an initial offering price of $25 per Depositary Share. Dividends on the Series C Preferred Stock, represented by the Depositary Shares, are cumulative from the date of initial issuance and are payable quarterly in arrears. With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series C Preferred Stock ranks senior to payments on the Company's Common Stock and pari passu with the Company's Series D Preferred Stock (hereinafter defined) and Series E Preferred Stock (hereinafter defined). 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 C Preferred Stock and Series E Preferred Stock (hereinafter defined). On or after February 4, 2003, the Series D Preferred Stock became 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 C

(Dollars in thousands)

6. Stockholders' Equity, continued

Preferred Stock and Series D Preferred Stock. On or after March 18, 2003, the Series E Preferred Stock became redeemable for cash at the option of the Company, in whole or in part, at a redemption price equivalent to $25 per Depositary Share, or $75,000 in the aggregate, plus dividends accrued and unpaid to the redemption date. The Series E Preferred Stock has no stated maturity and is not convertible into any other securities of the Company.

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

	Stated Value at			
	December 31, 2003	December 31, 2002	Initial Dividend Rate	Optional Redemption Date
Series C Preferred Stock	$ 50,000	$ 50,000	8.625%	6/6/07
Series D Preferred Stock	125,000	125,000	7.950%	2/4/03
Series E Preferred Stock	75,000	75,000	7.900%	3/18/03
Total	$250,000	$250,000		

Shares of Common Stock

The following table is a roll-forward of the Company's shares of common stock outstanding for the three years ended December 31, 2003:

	Shares of Common Stock Outstanding
Balance at December 31, 2000	38,844,086
Issuance of Common Stock and Stock Option Exercises	729,054
Issuance of Restricted Stock Shares	98,149
Repurchase and Retirement of Restricted Stock Shares	(59,091)
Purchase of Treasury Shares	(1,003,300)
Conversion of Operating Partnership Units	295,789
Balance at December 31, 2001	38,904,687
Issuance of Common Stock and Stock Option Exercises	572,677
Issuance of Restricted Stock Shares	93,980
Repurchase and Retirement of Restricted Stock Shares	(60,419)
Purchase of Treasury Shares	(1,091,500)
Conversion of Operating Partnership Units	178,896
Balance at December 31, 2002	38,598,321
Issuance of Common Stock and Stock Option Exercises	542,744
Issuance of Restricted Stock Shares	704,844
Repurchase and Retirement of Restricted Stock Shares	(66,183)
Purchase of Treasury Shares	(37,300)
Conversion of Operating Partnership Units	107,944
Balance at December 31, 2003	39,850,370

6. Stockholders' Equity, continued

Non-Qualified Employee Stock Options

For the year ended December 31, 2003 certain employees of the Company exercised 531,473 non-qualified employee stock options. Gross proceeds to the Company were approximately $14,799.

For the year ended December 31, 2002 certain employees of the Company exercised 561,418 non-qualified employee stock options. Gross proceeds to the Company were approximately $15,895.

For the year ended December 31, 2001 certain employees of the Company exercised 717,836 non-qualified employee stock options. Gross proceeds to the Company were approximately $18,521.

Restricted Stock

During the years ended December 31, 2003, 2002, and 2001 the Company awarded 704,844, 93,980 and 98,149 restricted shares of common stock, respectively, to certain employees and certain directors of the Company. See Note 12.

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, 2003, the Company repurchased 37,300 shares of its common stock at a weighted average price of approximately $26.73 per share. During the year ended December 31, 2002, the Company repurchased 1,091,500 shares of its common stock at a weighted average price of approximately $27.02 per share. During the year ended December 31, 2001, the Company repurchased 1,003,300 shares of its common stock at a weighted average price of approximately $28.30 per share.

(Dollars in thousands)

6. Stockholders' Equity, continued

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.

Dividends/Distributions

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

	Year Ended 2003		Year Ended 2002		Year Ended 2001	
	Dividend/ Distribution per Share/ Unit	Total Dividend/ Distribution	Dividend/ Distribution per Share/ Unit	Total Dividend/ Distribution	Dividend/ Distribution per Share/ Unit	Total Dividend/ Distribution
Common Stock/Operating Partnership Units	$ 2.7400	$126,699	$ 2.7250	$125,785	$ 2.6525	$123,118
Series A Preferred Stock	$ —	$ —	$ —	$ —	$ 0.6525	$ 1,077
Series B Preferred Stock	$ —	$ —	$ 81.4240	$ 3,256	$218.7500	$ 8,748
Series C Preferred Stock	$215.6240	$ 4,313	$215.6240	$ 4,313	$215.6240	$ 4,313
Series D Preferred Stock	$198.7480	$ 9,937	$198.7480	$ 9,937	$198.7480	$ 9,937
Series E Preferred Stock	$197.5000	$ 5,926	$197.5000	$ 5,926	$197.5000	$ 5,926

7. Acquisition and Development of Real Estate

In 2003, the Company acquired 64 in-service industrial properties comprising, in the aggregate, approximately 6.6 million square feet (unaudited) of GLA and several land parcels for a total purchase price of approximately $230,391, excluding costs incurred in conjunction with the acquisition of the properties. The Company also completed the development of 11 properties comprising approximately 1.3 million square feet (unaudited) of GLA at a cost of approximately $64,859.

In 2002, the Company acquired 90 in-service industrial properties comprising, in the aggregate, approximately 5.7 million square feet (unaudited) of GLA and several land parcels for a total purchase price of approximately $239,408, excluding costs incurred in conjunction with the acquisition of the properties. Twenty-one of the 90 industrial properties acquired, comprising approximately .6 million square feet (unaudited) of GLA, were acquired from the September 1998 Joint Venture for an aggregate purchase price of approximately $19,340. Eight of the 90 industrial properties acquired, comprising approximately .2 million square feet (unaudited) of GLA, were acquired from the September 1999 Joint Venture for an aggregate purchase price of approximately $13,000. The Company also completed the development of 17 properties comprising approximately 3.2 million square feet (unaudited) of GLA at a cost of approximately $116,806.

In 2001, the Company acquired 79 in-service industrial properties comprising, in the aggregate, approximately 4.4 million square feet (unaudited) of GLA and several land parcels for a total purchase price of approximately $227,514. Two of the 79 industrial properties acquired, comprising approximately .1 million square feet (unaudited) of GLA, were acquired from the September 1998 Joint Venture for an aggregate purchase price of approximately $5,845. The Company also completed the development of seven properties comprising approximately 1.1 million square feet (unaudited) of GLA at a cost of approximately $47,991.

8. Sale of Real Estate

In 2003, the Company sold 130 industrial properties comprising approximately 7.4 million square feet (unaudited) of GLA and several land parcels. Ten of the 130 sold properties comprising approximately 1.4 million square feet (unaudited) of GLA were sold to the December 2001 Joint Venture. Gross proceeds from the sales of the 130 industrial properties and several land parcels were approximately $394,382. The gain on sale of real estate was approximately $94,677, of which $79,072 is shown in discontinued operations. In accordance with FAS 144, the results of operations and gain on sale of real estate for the 120 of the 130 sold properties that were not identified as held for sale at December 31, 2001 are included in discontinued operations.

In 2002, the Company sold 86 industrial properties comprising approximately 8.5 million square feet (unaudited) of GLA that were not classified as held for sale at December 31, 2001, 12 industrial properties comprising approximately .9 million square feet (unaudited) of GLA that were classified as held for sale at December 31, 2001, 16 industrial properties comprising approximately 2.5 million square feet (unaudited) of GLA that were sold to the December 2001 Joint Venture, several land parcels and assigned to third parties the right to purchase certain properties. Gross proceeds from these sales were approximately $473,511. The gain on sale of real estate was approximately $71,133, of which $54,657 is shown in discontinued operations. In accordance with FAS 144, the results of operations and gain on sale of real estate for the 86 of the 114 sold industrial properties that were not identified as held for sale at December 31, 2001 and the gain associated with the assignment to third parties of the right to purchase certain properties are included in discontinued operations.

(Dollars in thousands)

8. Sale of Real Estate (continued)

In 2001, the Company sold 132 industrial properties and several land parcels. The aggregate gross sales price of these sales totaled approximately $386,939. The Company also recognized gains in 2001 on prior period sales where the gains were previously deferred. The gain on sales totaled approximately $64,347.

The following table discloses certain information regarding the industrial properties included in discontinued operations by the Company for the years ended December 31, 2003, 2002 and 2001, inclusive of the 20 industrial properties the Company sold from January 1, 2004 to March 31, 2004 as well as the two industrial properties held for sale at March 31, 2004.

	Year Ended December 31,		
	2003	2002	2001
Total Revenues	$ 33,403	$ 66,089	$ 76,566
Operating Expenses	(11,458)	(20,042)	(21,243)
Depreciation and Amortization	(6,854)	(12,988)	(15,410)
Gain on Sale of Real Estate	79,072	54,657	—
Income from Discontinued Operations	$ 94,163	$ 87,716	$ 39,913

In conjunction with certain property sales, the Company provided seller financing on behalf of certain buyers. At December 31, 2003, the Company had mortgage notes receivable and accrued interest outstanding of approximately $52,920 which is included as a component of prepaid expenses and other assets. At December 31, 2002, the Company had mortgage notes receivable and accrued interest outstanding of approximately $84,675, which is included as a component of prepaid expenses and other assets.

In connection with the Company’s periodic review of the carrying values of its properties and due to the continuing softness of the economy in certain of its markets and indications of current market values for comparable properties, the Company determined in the fourth quarter of 2001 that an impairment valuation in the amount of approximately $9,500 should be recorded for certain properties located in the Columbus, Ohio, Des Moines, Iowa and Indianapolis, Indiana markets.

(Dollars in thousands)

9. Supplemental Information to Statements of Cash Flows

Supplemental disclosure of cash flow information:

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Interest paid, net of capitalized interest	$ 95,595	$ 87,723	$ 80,577
Interest capitalized	$ 761	$ 7,792	$ 9,950
Supplemental schedule of noncash investing and financing activities:			
Distribution payable on common stock/units	$ 31,889	$ 31,106	$ 31,196
Exchange of units for common shares:			
Minority interest	$ (2,750)	$ (4,616)	$ (7,797)
Common stock	1	2	3
Additional paid-in-capital	2,749	4,614	7,794
	$ —	$ —	$ —
In conjunction with the property and land acquisitions, the following assets and liabilities were assumed:			
Purchase of real estate	$230,391	$239,408	$227,514
Operating partnership units	—	(633)	(1,491)
Deferred purchase price	(10,425)	—	—
Accounts payable and accrued expenses	(2,193)	(2,504)	(2,153)
Mortgage debt	(20,751)	(11,844)	—
Acquisition of real estate	$197,022	$224,427	$223,870
In conjunction with certain property sales, the Company provided seller financing:			
Notes receivable	$ 46,372	$ 78,227	$ 12,460

(Dollars in thousands)

10. Earnings Per Share ("EPS")

The computation of basic and diluted EPS is presented below.

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Numerator:			
Income from Continuing Operations	$ 20,174	$ 31,625	$ 34,087
Gain on Sale of Real Estate, Net of Minority Interest	13,306	14,008	54,483
Less: Preferred Stock Dividends	(20,176)	(23,432)	(30,001)
Less: Redemption of Series A Preferred Stock	—	—	(4,577)
Less: Redemption of Series B Preferred Stock	—	(3,707)	—
Income from Continuing Operations Available to Common Stockholders, Net of Minority Interest - For Basic and Diluted EPS	13,304	18,494	53,992
Discontinued Operations, Net of Minority Interest	80,293	74,575	33,794
Net Income Available to Common Stockholders - For Basic and Diluted EPS	$ 93,597	$ 93,069	$ 87,786
Denominator:			
Weighted Average Shares - Basic	38,541,571	38,927,282	38,840,939
Effect of Dilutive Securities:			
Employee and Director Common Stock Options	91,599	201,868	278,527
Employee and Director Shares of Restricted Stock	29,561	36,327	30,568
Weighted Average Shares - Diluted	38,662,731	39,165,477	39,150,034
Basic EPS:			
Income from Continuing Operations Available to Common Stockholders, Net of Minority Interest	$ 0.35	$ 0.48	$ 1.39
Discontinued Operations, Net of Minority Interest	$ 2.08	$ 1.92	$ 0.87
Net Income Available to Common Stockholders	$ 2.43	$ 2.39	$ 2.26
Diluted EPS:			
Income from Continuing Operations Available to Common Stockholders, Net of Minority Interest	$ 0.34	$ 0.47	$ 1.38
Discontinued Operations, Net of Minority Interest	$ 2.08	$ 1.90	$ 0.86
Net Income Available to Common Stockholders	$ 2.42	$ 2.38	$ 2.24

In accordance with FASB Statement of Financial Accounting Standards No. FAS 128 "Earnings Per Share" ("FAS 128"), the basic weighted average shares outstanding for 2002 and 2001 have been adjusted to exclude restricted stock issued that has not vested. The diluted weighted average shares outstanding for 2002 and 2001 have been adjusted to exclude restricted stock issued that has not vested except for the impact of the dilution related to restricted stock outstanding for each respective year. Due to these adjustments, basic and diluted earnings per share available to common stockholders for the years ended December 31, 2002 and 2001 exceeds the basic and diluted earning per share available to common stockholders reported in 2002's Form 10-K by $.02 per share and $.02 per share for both the years ended December 31, 2002 and 2001.

(Dollars in thousands)

11. Future Rental Revenues

The Company's properties are leased to tenants under net and semi-net operating leases. Minimum lease payments receivable, excluding tenant reimbursements of expenses, under non-cancelable operating leases in effect as of December 31, 2003 are approximately as follows:

2004	$221,627
2005	172,528
2006	123,227
2007	87,588
2008	61,592
Thereafter	92,628
Total	$759,190

12. Employee Benefit Plans

The Company maintains three stock incentive plans (the "Stock Incentive Plans") which are administered by the Compensation Committee of the Board of Directors. There are approximately 10.0 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 have received 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, 2003, stock options and restricted stock covering 3.4 million shares were outstanding and 3.1 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	Exercise Price per Share
Outstanding at December 31, 2000	3,023,467	$27.61	$ 18.25-$31.13
Granted	1,030,900	$32.98	$ 31.05-$33.125
Exercised	(717,836)	$25.99	$ 20.25-$31.125
Expired or Terminated	(387,086)	$30.13	$21.125-$33.125
Outstanding at December 31, 2001	2,949,445	$29.55	$ 18.25-$33.125
Granted	945,600	$30.72	$ 30.53-$33.15
Exercised	(561,418)	$28.32	$ 22.75-$33.125
Expired or Terminated	(190,992)	$30.52	$25.125-$33.125
Outstanding at December 31, 2002	3,142,635	$30.06	$ 18.25-$33.15
Exercised	(531,473)	$27.99	$ 20.25-$33.13
Expired or Terminated	(107,149)	$31.34	$ 25.13-$33.13
Outstanding at December 31, 2003	2,504,013	$30.45	$ 18.25-$33.15

(Dollars in thousands)

12. Employee Benefit Plans, continued

The following table summarizes currently outstanding and exercisable options as of December 31, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$18.25 - \$27.69	467,422	4.46	\$25.47	467,422	\$25.47
\$30.00 - \$33.15	2,036,591	6.76	\$31.59	1,293,302	\$31.62

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, 2003, 2002 and 2001, the Company made matching contributions of approximately \$109, \$99 and \$220, respectively.

During 2003, the Company awarded 692,888 shares of restricted Common Stock to certain employees and 11,956 shares of restricted Common Stock to certain Directors. These restricted shares of Common Stock had a fair value of approximately \$20,640 on the date of grant. The restricted Common Stock vests over a period from one to ten years. Compensation expense will be charged to earnings over the vesting period.

During 2002, the Company awarded 90,260 shares of restricted Common Stock to certain employees and 3,720 shares of restricted Common Stock to certain Directors. These restricted shares of Common Stock had a fair value of approximately \$3,232 on the date of grant. The restricted Common Stock vests over a period from one to ten years. Compensation expense will be charged to earnings over the vesting period.

During 2001, the Company awarded 94,450 shares of restricted Common Stock to certain employees and 3,699 shares of restricted Common Stock to certain Directors. These restricted shares of Common Stock had a fair value of approximately \$3,133 on the date of grant. The restricted Common Stock vests over a period from one to ten years. Compensation expense will be charged to earnings over the vesting period.

13. 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 years ended December 31, 2003, 2002 and 2001, this relative received brokerage commissions in the amount of \$116, \$74 and \$17, respectively, from the Company.

In January and February 2001, First Industrial 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%. The conversion of FRDS to a wholly-owned taxable REIT subsidiary of the Company will not have a material impact on the financial position or results of operations of the Company.

(Dollars in thousands)

14. 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.

Seven 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 26 industrial properties totaling approximately 2.6 million square feet (unaudited) of GLA. The estimated total construction costs are approximately $156.1 million (unaudited). Of this amount, approximately $33.9 million remains to be funded. These developments are expected to be funded with proceeds from the sale of select properties, cash flows from operations and borrowings under the Company's 2002 Unsecured Line of Credit. The Company expects to place in service 22 of the 26 development projects during the next twelve months. There can be no assurance that the Company will place these projects in service during the next twelve months or that the actual completion cost will not exceed the estimated completion cost stated above.

In connection with the acquisition of a property, the Company deferred $10,425 of the purchase price and provided a letter of credit for $10,425 which expires in January 2004. In January 2004, the Company paid the $10,425 of deferred purchase price and the letter of credit was returned to the Company. At December 31, 2003, the Company had 16 other letters of credit outstanding in the aggregate amount of $7,352. These letters of credit expire between March 2004 and December 2006.

Ground and Operating Lease Agreements

Future minimum rental payments under the terms of all non-cancelable ground and operating leases under which the Company is the lessee, as of December 31, 2003, are as follows:

2004	$ 1,924
2005	1,594
2006	1,773
2007	1,084
2008	936
Thereafter	43,941
Total	$51,252

15. Subsequent Events

On January 20, 2004, the Company and the Operating Partnership paid a fourth quarter 2003 distribution of $.6850 per common share/unit, totaling approximately $31,889.

On February 25, 2004, the Company declared a first quarter 2004 distribution of $.6850 per common share/unit on its common stock/units which is payable on April 19, 2004. The Company also declared first quarter 2004 dividends of $53.906 per share ($.53906 per Depositary share), $49.688 per share ($.49688 per Depositary share) and $49.375 per share ($.49375 per Depositary share) on its Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, respectively, totaling, in the aggregate, approximately $5,044, which is payable on March 31, 2004.

From January 1, 2004 to March 5, 2004, the Company awarded 1,221 shares of restricted common stock to certain Directors. These shares of restricted common stock had a fair value of approximately $40 on the date of grant. The restricted common stock vests over ten years. Compensation expense will be charged to earnings over the respective vesting period.

From January 1, 2004 to March 5, 2004, the Company acquired or completed development of nine industrial properties for a total estimated investment of approximately $48,096. The Company also sold one land parcel for approximately $173 of gross proceeds during this period.

(Dollars in thousands)

16. Quarterly Financial Information (unaudited)

The following table summarizes quarterly financial information of the Company. The first, second and third fiscal quarters of 2003 and all fiscal quarters in 2002 have been restated in accordance with FAS 144. In compliance with FAS 144, the Company has reported the results of operations and gain/(losses) on the sale of industrial properties sold and the results of operations from properties from that are classified as held for sale at March 31, 2004 as income from discontinued operations for each period presented in its quarterly report filed on Form 10-Q for the first quarter ended March 31, 2004. As a result, income from continuing operations and income from discontinued operations in this table will not agree to the income from continuing operations and income from discontinued operations presented in prior financial statements filed with the Securities and Exchange Commission.

	Year Ended December 31, 2003			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total Revenues	$86,726	$77,938	$80,987	$82,505
Equity in Income (Loss) of Joint Ventures	174	269	262	(166)
Income from Continuing Operations	9,770	3,524	4,968	1,912
Income from Discontinued Operations	23,070	20,059	25,567	25,467
Minority Interest Allocable to Discontinued Operations	(3,398)	(2,955)	(3,766)	(3,751)
Gain on Sale of Real Estate, Net of Minority Interest	1,108	2,845	3,925	5,428
Net Income	30,550	23,473	30,694	29,056
Preferred Stock Dividends	(5,044)	(5,044)	(5,044)	(5,044)
Net Income Available to Common Stockholders	$25,506	$18,429	$25,650	$24,012
Income from Continuing Operations Available to Common Stockholders per Weighted Average Common Share Outstanding:				
Basic	$ 0.15	$ 0.03	$ 0.10	$ 0.06
Diluted	$ 0.15	$ 0.03	$ 0.10	$ 0.06
Net Income Available to Common Stockholders per Weighted Average Common Share Outstanding:				
Basic	$ 0.66	$ 0.48	$ 0.67	$ 0.62
Diluted	$ 0.66	$ 0.48	$ 0.66	$ 0.61

(Dollars in thousands)

16. Quarterly Financial Information (unaudited), continued

	Year Ended December 31, 2002			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total Revenues	$71,716	$75,234	$75,843	$80,341
Equity in Income (Loss) of Joint Ventures	222	354	559	(672)
Income from Continuing Operations	9,019	7,293	8,509	6,804
Income from Discontinued Operations	20,247	23,328	15,019	29,122
Minority Interest Allocable to Discontinued Operations	(3,033)	(3,495)	(2,250)	(4,363)
Gain on Sale of Real Estate, Net of Minority Interest	4,540	4,120	6,952	(1,604)
Net Income	30,773	31,246	28,230	29,959
Preferred Stock Dividends	(7,231)	(6,113)	(5,044)	(5,044)
Redemption of Series B Preferred Stock	—	(3,707)	—	—
Net Income Available to Common Stockholders	$23,542	$21,426	$23,186	$24,915
Income from Continuing Operations Available to Common Stockholders per Weighted Average Common Share Outstanding:				
Basic	$ 0.16	$ 0.04	$ 0.27	$ 0.00
Diluted	$ 0.16	$ 0.04	$ 0.26	$ 0.00
Net Income Available to Common Stockholders per Weighted Average Common Share Outstanding:				
Basic	$ 0.61	$ 0.55	$ 0.59	$ 0.64
Diluted	$ 0.60	$ 0.54	$ 0.59	$ 0.64

Due to the adjustments to basic and diluted weighted average shares (See Note 10), basic and diluted earnings per share available to common stockholders presented in the above table for the quarters ended March 31, 2003 and 2002, June 30, 2003 and 2002, September 30, 2003 and 2002 do not agree with the basic and diluted earnings per share available to common stockholders reported in the 2003 and 2002 Form 10Qs. The impact of the adjustments on earnings per share available to common stockholders in such quarters ranges from $.01 per share to $.02 per share.