FIRST INDUSTRIAL REALTY TRUST INC
Form 10-Q
May 11, 2009

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

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2009

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-13102

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

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

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

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

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

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

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

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

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

Number of shares of Common Stock, $.01 par value, outstanding as of April 24, 2009: 44,683,998.

FIRST INDUSTRIAL REALTY TRUST, INC.

Form 10-Q

For the Period Ended March 31, 2009

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

FIRST INDUSTRIAL REALTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS

	March 31, 2009	(As Adjusted) December 31, 2008
	(Unaudited) (In thousands except share and per share data)	
ASSETS		
Assets:		
Investment in Real Estate:		
Land	$ 774,172	$ 776,991
Buildings and Improvements	2,573,996	2,551,450
Construction in Progress	28,398	57,156
Less: Accumulated Depreciation	(541,842)	(523,108)
Net Investment in Real Estate	2,834,724	2,862,489
Real Estate Held for Sale, Net of Accumulated Depreciation and Amortization of $1,511 and $2,251 at March 31, 2009 and December 31, 2008, respectively	16,669	21,117
Cash and Cash Equivalents	37,802	3,182
Restricted Cash	109	109
Tenant Accounts Receivable, Net	11,780	10,414
Investments in Joint Ventures	16,094	16,299
Deferred Rent Receivable, Net	34,377	32,984
Deferred Financing Costs, Net	11,383	12,091
Deferred Leasing Intangibles, Net	83,533	90,342
Prepaid Expenses and Other Assets, Net	165,868	174,474
Total Assets	$ 3,212,339	$ 3,223,501
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage Loans Payable, Net	$ 76,303	$ 77,396
Senior Unsecured Debt, Net	1,512,815	1,511,955
Unsecured Line of Credit	488,608	443,284
Accounts Payable, Accrued Expenses and Other Liabilities, Net	102,888	128,828

Deferred Leasing Intangibles, Net	29,717	30,754
Rents Received in Advance and Security Deposits	26,474	26,181
Leasing Intangibles Held for Sale, Net of Accumulated Amortization of $0 and $254 at March 31, 2009 and December 31, 2008, respectively		541
Dividends Payable		13,846
Total Liabilities	2,236,805	2,232,785
Commitments and Contingencies		
Equity:		
First Industrial Realty Trust, Inc. s Stockholders Equity:		
Preferred Stock ($0.01 par value, 10,000,000 shares authorized, 500, 250, 600, and 200 shares of Series F, G, J, and K Cumulative Preferred Stock, respectively, issued and outstanding at March 31, 2009 and December 31, 2008 having a liquidation preference of $100,000 per share ($50,000), $100,000 per share ($25,000), $250,000 per share ($150,000), and $250,000 per share ($50,000), respectively)		
Common Stock ($0.01 par value, 100,000,000 shares authorized, 48,988,616 and 48,976,296 shares issued and 44,664,502 and 44,652,182 shares outstanding at March 31, 2009 and December 31, 2008, respectively)	490	490
Additional Paid-in-Capital	1,442,955	1,398,024
Distributions in Excess of Accumulated Earnings	(385,627)	(370,229)
Accumulated Other Comprehensive Loss	(22,415)	(19,668)
Treasury Shares at Cost (4,324,114 shares at March 31, 2009 and December 31, 2008)	(140,018)	(140,018)
Total First Industrial Realty Trust, Inc. s Stockholders Equity	895,385	868,599
Noncontrolling Interest	80,149	122,117
Total Equity	975,534	990,716
Total Liabilities and Equity	$ 3,212,339	$ 3,223,501

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

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2009	(As Adjusted) Three Months Ended March 31, 2008
	(Unaudited) (In thousands except per share data)	
Revenues:		
Rental Income	$ 69,521	$ 64,600
Tenant Recoveries and Other Income	25,140	25,609
Construction Revenues	18,431	22,954
Total Revenues	113,092	113,163
Expenses:		
Property Expenses	33,613	32,034
General and Administrative	10,109	23,356
Restructuring Costs	4,744	
Depreciation and Other Amortization	39,217	36,676
Construction Expenses	17,883	22,301
Total Expenses	105,566	114,367
Other Income/(Expense):		
Interest Income	561	644
Interest Expense	(28,098)	(29,251)
Amortization of Deferred Financing Costs	(708)	(713)
Mark-to-Market Gain on Interest Rate Protection Agreements	1,115	
Total Other Income/(Expense)	(27,130)	(29,320)
Loss from Continuing Operations Before Equity in Income of Joint Ventures and Income Tax Benefit	(19,604)	(30,524)
Equity in Income of Joint Ventures	29	3,302
Income Tax Benefit	1,816	2,508
Loss from Continuing Operations	(17,759)	(24,714)
Income from Discontinued Operations (Including Gain on Sale of Real Estate of $4,413 and $73,361 for the Three Months Ended March 31, 2009 and March 31, 2008, respectively)	4,696	79,339
	106	(407)

Benefit (Provision) for Income Taxes Allocable to Discontinued Operations (Including $93 and $(247) allocable to Gain on Sale of Real Estate for the Three Months Ended March 31, 2009 and March 31, 2008, respectively)				
(Loss) Income Before Gain on Sale of Real Estate		(12,957)		54,218
Gain on Sale of Real Estate		460		7,671
Provision for Income Taxes Allocable to Gain on Sale of Real Estate		(29)		(1,591)
Net (Loss) Income		(12,526)		60,298
Less: Net Loss (Income) Attributable to the Noncontrolling Interest		1,982		(7,075)
Net (Loss) Income Attributable to First Industrial Realty Trust, Inc.		(10,544)		53,223
Less: Preferred Stock Dividends		(4,857)		(4,857)
Net (Loss) Income Available to First Industrial Realty Trust, Inc. s Common Stockholders and Participating Securities	$	(15,401)	$	48,366
Amounts Attributable to First Industrial Realty Trust, Inc.:				
Loss from Continuing Operations, Net of Income Tax Benefit	$	(15,178)	$	(20,941)
Income from Discontinued Operations, Net of Income Tax Benefit (Provision)	$	4,252	$	68,860
Gain on Sale of Real Estate, Net of Income Tax Provision	$	382	$	5,304
Net (Loss) Income Attributable to First Industrial Realty Trust, Inc.	$	(10,544)	$	53,223
Basic and Diluted Earnings Per Share:				
Loss from Continuing Operations Available to First Industrial Realty Trust, Inc.	$	(0.45)	$	(0.48)
Income From Discontinued Operations Attributable to First Industrial Realty Trust, Inc.	$	0.10	$	1.58
Net (Loss) Income Available to First Industrial Realty Trust, Inc. s Common Stockholders	$	(0.35)	$	1.10
Weighted Average Shares Outstanding, Basic and Diluted		44,147		42,984
Dividends/Distribution Declared per Common Share Outstanding	$	0.00	$	0.72

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

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31, 2009	(As Adjusted) Three Months Ended March 31, 2008
	(Unaudited) (In thousands)	
Net (Loss) Income	$ (12,526)	$ 60,298
Mark-to-Market on Interest Rate Protection Agreements, Net of Income Tax (Provision) Benefit of $(25) and $259 for the Three Months Ended March 31, 2009 and March 31, 2008, respectively	(2,215)	(1,842)
Amortization of Interest Rate Protection Agreements	(206)	(187)
Mark-to-Market on Available for Sale Mortgage Notes Receivable		328
Foreign Currency Translation Adjustment, Net of Tax Benefit of $503 and $365 for the Three Months Ended March 31, 2009 and March 31, 2008, respectively	(443)	(661)
Comprehensive (Loss) Income	(15,390)	57,936
Comprehensive Loss (Income) Attributable to Noncontrolling Interest	2,099	(6,758)
Comprehensive (Loss) Income Attributable to First Industrial Realty Trust, Inc.	$ (13,291)	$ 51,178

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

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2009	(As Adjusted) Three Months Ended March 31, 2008
	(Unaudited) (In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (Loss) Income	$ (12,526)	$ 60,298
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by Operating Activities:		
Depreciation	28,452	29,040
Amortization of Deferred Financing Costs	708	713
Other Amortization	17,237	13,971
Provision for Bad Debt	624	1,147
Mark-to-Market Gain on Interest Rate Protection Agreements	1,115	
Equity in Income of Joint Ventures	(29)	(3,302)
Distributions from Joint Ventures	101	3,606
Gain on Sale of Real Estate	(4,873)	(81,032)
Decrease in Developments for Sale Costs	13	1,517
Decrease (Increase) in Tenant Accounts Receivable, Prepaid Expenses and Other Assets, Net	6,774	(16,967)
Increase in Deferred Rent Receivable	(1,882)	(1,995)
Decrease in Accounts Payable, Accrued Expenses, Other Liabilities, Rents Received in Advance and Security Deposits	(14,938)	(6,545)
Decrease in Restricted Cash		89
Cash Book Overdraft		2,901
Net Cash Provided by Operating Activities	20,776	3,441
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of and Additions to Investment in Real Estate	(28,787)	(160,441)
Net Proceeds from Sales of Investments in Real Estate	15,858	175,135
Contributions to and Investments in Joint Ventures	(1,735)	(5,382)
Distributions from Joint Ventures	2,937	974
Repayment of Mortgage Loans Receivable		6,110
Increase in Restricted Cash		(240)
Net Cash (Used in) Provided by Investing Activities	(11,727)	16,156
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Proceeds from the Issuance of Common Stock		56

Repurchase of Restricted Stock		(721)		(3,348)
Dividends/Distributions		(12,614)		(36,079)
Preferred Stock Dividends		(6,089)		(6,089)
Repayments on Mortgage Loans Payable		(905)		(758)
Debt Issuance Costs				(12)
Proceeds from Unsecured Line of Credit		46,000		216,000
Repayments on Unsecured Line of Credit				(189,000)
Net Cash Provided by (Used in) Financing Activities		25,671		(19,230)
Net Effect of Exchange Rate Changes on Cash and Cash Equivalents		(100)		(39)
Net Increase in Cash and Cash Equivalents		34,720		367
Cash and Cash Equivalents, Beginning of Period		3,182		5,757
Cash and Cash Equivalents, End of Period	$	37,802	$	6,085

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

FIRST INDUSTRIAL REALTY TRUST, INC.

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

1. Organization and Formation of Company

First Industrial Realty Trust, Inc. (the Company) was organized in the state of Maryland on August 10, 1993. The Company is a real estate investment trust (REIT) as defined in the Internal Revenue Code of 1986 (the Code). Unless the context otherwise requires, the terms the Company, we, us, and our refer to First Industrial Realty Trust, Inc., F Industrial, L.P. and their other controlled subsidiaries. We refer to our operating partnership, First Industrial, L.P., as the Operating Partnership, and our taxable REIT subsidiary, First Industrial Investment, Inc., as the TRS.

We began operations on July 1, 1994. Our operations are conducted primarily through the Operating Partnership, of which we are the sole general partner with an approximate 88.7% and 87.6% ownership interest at March 31, 2009 and March 31, 2008, respectively, and through the TRS, of which the Operating Partnership is the sole stockholder. We also conduct operations through other partnerships, corporations, and limited liability companies, the operating data of which, together with that of the Operating Partnership and the TRS, are consolidated with that of the Company as presented herein. Noncontrolling interest at March 31, 2009 and March 31, 2008 of approximately 11.3% and 12.4%, respectively, represents the aggregate partnership interest in the Operating Partnership held by the limited partners thereof.

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

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

As of March 31, 2009, we owned 796 industrial properties (inclusive of developments in process) located in 28 states in the United States and one province in Canada, containing an aggregate of approximately 70.8 million square feet of gross leaseable area (GLA).

2. Current Business Risks and Uncertainties

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

Our $500,000 unsecured credit facility (the Unsecured Line of Credit) and the indentures under which our senior unsecured indebtedness is, or may be issued, contain certain financial covenants, including, among other things, coverage ratios and limitations on our ability to incur secured and unsecured indebtedness. Consistent with our prior practice, we will, in the future, continue to interpret and certify our performance under these covenants in a good faith manner that we deem reasonable and appropriate. However, these financial covenants are complex and there can be no assurance that these provisions would not be interpreted by our lenders in a manner that could impose and cause us to incur material costs. Any violation of these covenants would subject us to higher finance costs and fees, or accelerated maturities. In addition, our credit facilities and senior debt securities contain certain cross-default provisions, which are triggered in the event that our other material indebtedness is in default. Under the Unsecured Line of Credit, an event of default can also occur if the lenders, in their good faith judgment, determine that a material adverse change has occurred which could prevent timely repayment or materially impair our ability to perform our obligations under the loan agreement.

We believe that we were in compliance with our financial covenants as of March 31, 2009, and we anticipate that we will be able to operate in compliance with our financial covenants for the remainder of 2009. However, our

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ability to meet our financial covenants may be reduced if economic and credit market conditions limit our property sales and reduce our net operating income below our projections. We expect to refinance indebtedness maturing in 2009 and to comply with our financial covenants for the remainder of 2009 and beyond. We plan to enhance our liquidity through a combination of capital retention, mortgage financing and asset sales.

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

Mortgage Financing In June 2009, we have $125,000 of unsecured debt maturing ($118,955 as of April 24, 2009 see Note 15), and in July 2009 we have $5,025 of secured mortgage debt maturing. We are in active discussions with various lenders regarding the origination of mortgage financing and the terms and conditions thereof. The total loan proceeds are expected to be sufficient to meet these maturities. In addition, these loans are expected to comply with all covenants contained in our Unsecured Line of Credit and our senior debt securities, including coverage ratios and total indebtedness, total unsecured indebtedness and total secured indebtedness limitations. No assurances can be made that new secured financing will be obtained. If we fail to timely retire our maturing debt, we will be in default under our Unsecured Line of Credit and our senior unsecured debt securities.

Asset Sales We sold three industrial properties and one land parcel during the three months ended March 31, 2009. We are in various stages of discussions with third parties for the sale of additional properties for the remainder of 2009 and plan to continue to market other properties for sale throughout 2009. If we are unable to sell properties on an advantageous basis, this may impair our liquidity and our ability to meet our financial covenants.

In addition, we may from time to time repurchase or redeem our outstanding securities. Any repurchases or redemptions would depend upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors we consider important. Future repurchases or redemptions may materially impact our liquidity, future tax liability and results of operations.

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

3. Summary of Significant Accounting Policies

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

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

In our opinion, the accompanying unaudited interim financial statements reflect all adjustments necessary for a fair statement of our financial position as of March 31, 2009 and December 31, 2008 and the results of our operations and comprehensive income for each of the three months ended March 31, 2009 and March 31, 2008, and

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

our cash flows for each of the three months ended March 31, 2009 and March 31, 2008, and all adjustments are of a normal recurring nature.

Deferred Leasing Intangibles

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

	March 31, 2009	December 31, 2008
In-Place Leases	$ 80,366	$ 84,424
Less: Accumulated Amortization	(31,121)	(30,350)
	$ 49,245	$ 54,074
Above Market Leases	$ 14,814	$ 15,830
Less: Accumulated Amortization	(2,691)	(2,607)
	$ 12,123	$ 13,223
Tenant Relationships	$ 28,616	$ 28,717
Less: Accumulated Amortization	(6,451)	(5,672)
	$ 22,165	$ 23,045
Total Deferred Leasing Intangibles, Net	$ 83,533	$ 90,342

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

	March 31, 2009	December 31, 2008
Below Market Leases	$ 42,912	$ 42,856
Less: Accumulated Amortization	(13,195)	(12,102)
Total Deferred Leasing Intangibles, Net	$ 29,717	$ 30,754

Amortization expense related to in-place leases and tenant relationships of deferred leasing intangibles was $5,737 and $6,416 for the three months ended March 31, 2009 and March 31, 2008, respectively. Rental revenues increased by $374 and $1,277 related to net amortization of above/(below) market leases for the three months ended March 31, 2009 and March 31, 2008, respectively.

Recent Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Statement of Financial Accounting Standards (SFAS) 107-1 and Accounting Principles Board (APB) 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP 107-1). FSP 107-1 amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments* to require an entity to provide disclosures about fair value of financial instruments in interim financial information. FSP 107-1 is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. We will include the required disclosures in our quarter ending June 30, 2009.

Effective January 1, 2009 we adopted SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160). SFAS 160 establishes requirements for ownership interests in subsidiaries held by parties other than the Company (formerly called minority interests) to be clearly identified, presented, and disclosed in the consolidated statement of financial position within equity, but separate from the parent s equity. Changes in a parent s

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ownership interest (and transactions with noncontrolling interest holders) while the parent retains its controlling financial interest in its subsidiary should be accounted for as equity transactions. The carrying amount of the noncontrolling interest shall be adjusted to reflect the change in its ownership interest in the subsidiary, with the offset to equity attributable to the parent. As a result of transactions with noncontrolling interest holders and changes in ownership percentages that occurred during the three months ended March 31, 2009, we decreased noncontrolling interest and increased Additional Paid in Capital by $37,348, which represents the cumulative impact of historical changes in the parent s ownership in the subsidiary. SFAS 160 was effective, on a prospective basis, for fiscal years beginning after December 15, 2008, however, presentation and disclosure requirements needed to be retrospectively applied to comparative financial statements. See Note 6 for additional SFAS 160 disclosures.

Effective January 1, 2009 we adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 expands the current disclosure requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133) such that entities must now provide enhanced disclosures on an interim basis and annual basis regarding how and why the entity uses derivatives; how derivatives and related hedged items are accounted for under SFAS 133 and how derivatives and related hedged items affect the entity s financial position, financial results and cash flow. See Note 13 for the required disclosures. This Statement does not impact the consolidated financial results as it is disclosure-only in nature.

Effective January 1, 2009 we adopted FSP FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2). FSP FAS 157-2 delayed the effective date of SFAS No. 157 *Fair Value Measurements* (SFAS 157) from 2008 to 2009 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of the provisions of SFAS No. 157 related to nonfinancial assets and nonfinancial liabilities did not impact our consolidated financial statements.

Effective January 1, 2009 we adopted FSP Emerging Issues Task Force (EITF) 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (EITF 03-6-1), which required retrospective application. Under EITF 03-6-1, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents are participating securities and, therefore, are included in the computation of earnings per share (EPS) pursuant to the two-class method. The two-class method determines EPS for each class of common stock and participating securities according to dividends or dividend equivalents and their respective participation rights in undistributed earnings. Certain restricted stock awards granted to employees and directors are considered participating securities as they receive non-forfeitable dividend or dividend equivalents at the same rate as common stock. The impact of adopting EITF 03-6-1 decreased previously filed basic and diluted EPS by $0.02 for the three months ended March 31, 2008.

Effective January 1, 2009 we adopted SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R states direct costs of a business combination, such as transaction fees, due diligence and consulting fees no longer qualify to be capitalized as part of the business combination. Instead, these direct costs need to be recognized as expense in the period in which they are incurred. Accordingly, we retroactively expensed these types of costs in 2008 related to future operating property acquisitions.

Effective January 1, 2009 we adopted FSP APB 14-1 *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1) that requires the liability and equity components of convertible debt instruments to be separately accounted for in a manner that reflects the issuer s nonconvertible debt borrowing rate. FSP APB 14-1 requires that the value assigned to the debt component be the estimated fair value of a similar bond without the conversion feature, which would result in the debt being recorded at a discount. The resulting debt discount is then amortized over the period during which the debt is expected to be outstanding as additional non-cash interest expense. Retrospective application to all periods presented is required.

The equity component of our convertible unsecured notes (the 2011 Exchangeable Notes) was $7,898 and therefore we retroactively adjusted our Senior Unsecured Debt by this amount as of September 2006. This debt discount has been subsequently amortized and as of March 31, 2009 the principal amount of the 2011 Exchangeable

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Notes, its unamortized discount and the net carrying amount is $200,000, $3,949 and $196,051, respectively. In addition, we reclassified $194 of the original finance fees incurred in relation to the 2011 Exchangeable Notes to equity as of September 2006. For the three months ended March 31, 2009, we recognized $2,707 of interest expense related to the 2011 Exchangeable Notes of which $2,312 relates to the coupon rate and $395 relates to the debt discount amortization. We anticipate amortizing the remaining debt discount into interest expense through maturity in September, 2011. We recognized $3,555 and $(88) as an adjustment to total equity as of December 31, 2008 that represents amortization expense of the discount and the loan fees, respectively, which would have been recognized had FSP APB 14-1 been effective since the issuance date of our 2011 Exchangeable Notes.

The impact to net income and the loss from continuing operations, before noncontrolling interest, related to the adoption of SFAS 141R and FSP APB 14-1, for the three months ended March 31, 2008 was an increase to general and administrative expense of $67, an increase to interest expense of $395 and a decrease to amortization of deferred financing fees of $10.

The impact to the balance sheet as of December 31, 2008 related to the adoption of SFAS 141R and FSP APB 14-1 is as follows:

	Balance Sheet as previously Filed - as of December 31, 2008	Adjustments Related to SFAS 141R Adoption	Adjustments Related to FSP APB 14-1 Adoption	Balance Sheet as Adjusted - as of December 31, 2008
Deferred Financing Costs, Net	$ 12,197	$	$ (106)	$ 12,091
Prepaid Expenses and Other Assets, Net	$ 174,743	$ (269)	$	$ 174,474
Senior Unsecured Debt, Net	$ 1,516,298	$	$ (4,343)	$ 1,511,955
Additional Paid in Capital	$ 1,390,358	$	$ 7,666	$ 1,398,024
Distributions in Excess of Earnings	$ (366,962)	$ (255)	$ (3,012)	$ (370,229)
Total First Industrial Realty Trust, Inc. s Stockholders Equity	$ 864,200	$ (255)	$ 4,654	$ 868,599
Noncontrolling Interest	122,548	(14)	(417)	122,117
Total Equity	$ 986,748	$ (269)	$ 4,237	$ 990,716

4. Investments in Joint Ventures and Property Management Services

At March 31, 2009, the 2003 Net Lease Joint Venture owned 10 industrial properties comprising approximately 5.1 million square feet of GLA, the 2005 Development/Repositioning Joint Venture owned 46 industrial properties comprising approximately 8.6 million square feet of GLA and several land parcels, the 2005 Core Joint Venture owned 48 industrial properties comprising approximately 3.9 million square feet of GLA and several land parcels, the 2006 Net Lease Co-Investment Program owned 12 industrial properties comprising approximately 5.0 million square feet of GLA, the 2006 Land/Development Joint Venture owned one industrial property comprising approximately 0.8 million square feet and several land parcels and the 2007 Canada Joint Venture owned two industrial properties comprising approximately 0.2 million square feet of GLA and several land parcels. As of March 31, 2009, the 2007 Europe Joint Venture does not own any properties.

During July 2007, we entered into a management arrangement with an institutional investor to provide property management, leasing, acquisition, disposition and portfolio management services for industrial properties (the July 2007 Fund). We do not own an equity interest in the July 2007 Fund, however, are entitled to incentive payments if certain economic thresholds related to the industrial properties are achieved.

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At March 31, 2009 and December 31, 2008, we have receivables from the Joint Ventures and the July 2007 Fund of $3,924 and $3,939, respectively, which mainly relates to development, leasing, property management and asset management fees due to us from the Joint Ventures and the July 2007 Fund, reimbursement for insurance premiums and other operating expenditures paid on behalf of the Joint Ventures and the July 2007 Fund and reimbursement for development expenditures made by the TRS who is acting in the capacity of the general contractor for development projects for the 2005 Development/Repositioning Joint Venture. These receivable amounts are included in Prepaid Expenses and Other Assets, Net.

During the three months ended March 31, 2009 and March 31, 2008, we invested the following amounts in, as well as received distributions from, our Joint Ventures and recognized fees from acquisition, disposition, leasing, development, incentive, property management and asset management services from our Joint Ventures and the July 2007 Fund in the following amounts:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Contributions	$ 1,735	$ 5,082
Distributions	$ 3,038	$ 4,580
Fees	$ 2,718	$ 4,586

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

The following table discloses certain information regarding our mortgage loans payable, senior unsecured debt and unsecured line of credit:

	Outstanding Balance at		Interest	Effective Interest	
	March 31, 2009	(As Adjusted) December 31, 2008	Rate at March 31, 2009	Rate at March 31, 2009	Maturity Date
Mortgage Loans Payable, Net	$ 76,303	$ 77,396	5.50% - 9.25%	4.58% - 9.25%	July 2009 - September 2024
Unamortized Premiums	(1,530)	(1,717)			
Mortgage Loans Payable, Gross	$ 74,773	$ 75,679			
Senior Unsecured Debt, Net					
2016 Notes	$ 194,541	$ 194,524	5.750%	5.91%	01/15/16

2017 Notes	99,917	99,914	7.500%	7.52%	12/01/17
2027 Notes	15,057	15,056	7.150%	7.11%	05/15/27
2028 Notes	199,848	199,846	7.600%	8.13%	07/15/28
2011 Notes	199,883	199,868	7.375%	7.39%	03/15/11
2012 Notes	199,580	199,546	6.875%	6.85%	04/15/12
2032 Notes	49,485	49,480	7.750%	7.87%	04/15/32
2009 Notes	124,991	124,980	5.250%	4.10%	06/15/09
2014 Notes	115,292	114,921	6.420%	6.54%	06/01/14
2011 Exchangeable Notes*	196,051	195,657	4.625%	5.53%	09/15/11
2017 II Notes	118,170	118,163	5.950%	6.37%	05/15/17
Subtotal	$ 1,512,815	$ 1,511,955			
Unamortized Discounts	15,685	16,545			
Senior Unsecured Debt, Gross	$ 1,528,500	$ 1,528,500			
Unsecured Line of Credit	$ 488,608	$ 443,284	1.298%	1.298%	09/28/12

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In connection with our offering of the 2011 Exchangeable Notes, we entered into capped call transactions (the capped call transactions) with affiliates of two of the initial purchasers of the 2011 Exchangeable Notes (the option counterparties) in order to increase the effective exchange price of the 2011 Exchangeable Notes to $59.42 per share of our common stock, which represents an exchange premium of approximately 40% based on the last reported sale price of $42.44 per share of the our common stock on September 19, 2006. The aggregate cost of the capped call transactions was approximately $6,835. The capped call transactions are expected to reduce the potential dilution with respect to our common stock upon exchange of the 2011 Exchangeable Notes to the extent the then market value per share of our common stock does not exceed the cap price of the capped call transaction during the observation period relating to an exchange. The cost of the capped call is accounted for as a hedge and included in First Industrial Realty Trust, Inc. s stockholders equity because the derivative is indexed to our own stock and meets the scope exception in SFAS 133.

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
Remainder of 2009	$ 132,392
2010	15,815
2011	407,657
2012	693,383
2013	2,523
Thereafter	840,111
Total	$ 2,091,881

All of our senior unsecured debt (except for the 2011 Exchangeable Notes) contain certain covenants, including limitations on incurrence of debt and debt service coverage. The Unsecured Line of Credit contains certain covenants including limitations on incurrence of debt and debt service coverage. Under the Unsecured Line of Credit, an event of default can also occur if the lenders, in their good faith judgment, determine that a material adverse change has occurred which could prevent timely repayment or materially impair our ability to perform our obligations under the loan agreement. We believe that the Operating Partnership and the Company were in compliance with all covenants relating to senior unsecured debt and the Unsecured Line of Credit as of March 31, 2009. However, these financial covenants are complex and there can be no assurance that these provisions would not be interpreted by our noteholders or lenders in a manner that could impose and cause us to incur material costs.

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stockholders Equity

Shares of Common Stock:

During the three months ended March 31, 2009, 118,510 limited partnership interests in the Operating Partnership (Units) were converted into an equivalent number of shares of common stock, resulting in a reclassification of $2,521 of noncontrolling interest to First Industrial Realty Trust Inc. s Stockholders Equity.

The following table summarizes the changes in Total Equity:

	Total	First Industrial Realty Trust, Inc. Common Stockholders	Noncontrolling Interest
Total Equity, December 31, 2008 (As Adjusted)	$ 990,716	$ 868,599	$ 122,117
Net Loss	(12,526)	(10,544)	(1,982)
Other Comprehensive Loss	(2,864)	(2,747)	(117)
Comprehensive Loss	(15,390)	(13,291)	(2,099)
Additional Paid in Capital:			
Amortization of Restricted Stock Awards	5,785	5,785	
Conversion of Units to Common Stock		2,521	(2,521)
Reallocation of Noncontrolling Interest		37,348	(37,348)
Repurchase and Retirement of Restricted Stock Awards/Common Stock	(720)	(720)	
Distributions in Excess of Accumulated Earnings:			
Preferred Dividends	(4,857)	(4,857)	
Total Equity, March 31, 2009	$ 975,534	$ 895,385	$ 80,149

Restricted Stock:

During the three months ended March 31, 2009, we awarded 8,612 shares of restricted common stock to certain directors. These restricted common stock shares had a fair value of approximately $61 on the date of issuance. The restricted common stock awarded to directors generally vests over a three to ten year period. Compensation expense will be charged to earnings over the respective vesting period for the shares expected to vest.

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

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Dividend/Distributions:

The following table summarizes dividends/distributions accrued during the three months ended March 31, 2009.

	Three Months Ended March 31, 2009	
	Dividend/ Distribution per Share	Total Dividend
Series F Preferred Stock	$ 1,559.00	$ 780
Series G Preferred Stock	$ 1,809.00	$ 452
Series J Preferred Stock	$ 4,531.30	$ 2,719
Series K Preferred Stock	$ 4,531.30	$ 906

7. Acquisition of Real Estate

During the three months ended March 31, 2008, we acquired ten industrial properties comprising approximately 1.3 million square feet of GLA and several land parcels. The purchase price of these acquisitions totaled approximately $93,298, excluding costs incurred in conjunction with the acquisition of the industrial properties and land parcels.

During the three months ended March 31, 2009, we acquired one land parcel. The purchase price of the land parcel was approximately $208, excluding costs incurred in conjunction with the acquisition of the land parcel.

Intangible Assets Subject to Amortization in the Period of Acquisition

The fair value of in-place leases, above market leases, tenant relationships and below market leases recorded due to real estate properties acquired for the three months ended March 31, 2009 and March 31, 2008 is as follows:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
In-Place Leases	$	$ 4,868
Above Market Leases	$	$ 61
Tenant Relationships	$	$ 2,299
Below Market Leases	$	$ (524)

The weighted average life in months of in-place leases, above market leases, tenant relationships and below market leases recorded as a result of the real estate properties acquired for the three months ended March 31, 2009 and March 31, 2008 is as follows:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
In-Place Leases	N/A	41
Above Market Leases	N/A	43
Tenant Relationships	N/A	93
Below Market Leases	N/A	35

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

During the three months ended March 31, 2009, we sold three industrial properties comprising approximately 0.4 million square feet of GLA and one land parcel. Gross proceeds from the sales of the three industrial properties

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and one land parcel were approximately $19,883. The gain on sale of real estate was approximately $4,873, of which $4,413 is shown in discontinued operations. The three sold industrial properties meet the criteria established by SFAS No. 144, *Accounting for the Impairment or Disposal of Long- Lived Assets* (SFAS 144), to be included in discontinued operations. Therefore, in accordance with SFAS 144, the results of operations and gain on sale of real estate for the three sold industrial properties are included in discontinued operations. The results of operations and gain on sale of real estate for the one land parcel that does not meet the criteria established by SFAS 144 is included in continuing operations.

At March 31, 2009, we had three industrial properties comprising approximately 0.7 million square feet of GLA held for sale. In accordance with SFAS 144, the results of operations of the three industrial properties held for sale at March 31, 2009 are included in discontinued operations. There can be no assurance that such industrial properties held for sale will be sold.

Income from discontinued operations, net of income taxes, for the three months ended March 31, 2008 reflects the results of operations of the three industrial properties that were sold during the three months ended March 31, 2009, the results of operations of 113 industrial properties that were sold during the year ended December 31, 2008, the results of operations of the three industrial properties identified as held for sale at March 31, 2009 and the gain on sale of real estate relating to 38 industrial properties that were sold during the three months ended March 31, 2008.

The following table discloses certain information regarding the industrial properties included in our discontinued operations for the three months ended March 31, 2009 and March 31, 2008:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Total Revenues	$ 1,054	$ 16,224
Property Expenses	(493)	(6,326)
Depreciation and Amortization	(278)	(3,920)
Gain on Sale of Real Estate	4,413	73,361
Benefit (Provision) for Income Taxes	106	(407)
Income from Discontinued Operations	$ 4,802	$ 78,932

At March 31, 2009 and December 31, 2008, we had mortgage notes receivables outstanding of approximately $37,332 and $34,532, respectively, in conjunction with certain property sales for which we provided seller financing, which is included as a component of Prepaid Expenses and Other Assets, Net.

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Supplemental Information to Statements of Cash Flows

Supplemental disclosure of cash flow information:

	Three Months Ended March 31, 2009	(As Adjusted) Three Months Ended March 31, 2008
Interest paid, net of capitalized interest	$ 28,534	$ 29,677
Capitalized interest	$ 281	$ 2,107
Supplemental schedule of noncash investing and financing activities:		
Distribution payable on common stock/Units	$	$ 36,423
Exchange of Units for common stock:		
Noncontrolling interest	$ (2,521)	$ (3,678)
Common stock	1	2
Additional paid-in-capital	2,520	3,676
	$	$
In conjunction with the property and land acquisitions, the following liabilities were assumed:		
Accounts payable and accrued expenses	$	$ (251)
Write-off of fully depreciated assets	$ (16,865)	$ (17,614)
In conjunction with certain property sales, we provided seller financing:		
Mortgage notes receivable	$ 2,800	$ 40,282

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Earnings Per Share (EPS)

The computation of basic and diluted EPS is presented below:

	Three Months Ended March 31, 2009	(As Adjusted) Three Months Ended March 31, 2008
Numerator:		
Loss from Continuing Operations, Net of Noncontrolling Interest of $2,581 and $3,773 for the Three Months Ended March 31, 2009 and March 31, 2008, respectively, and Income Tax Benefit of $1,816 and $2,508 for the Three Months Ended March 31, 2009 and March 31, 2008, respectively	$ (15,178)	$ (20,941)
Gain on Sale of Real Estate, Net of Noncontrolling Interest of $49 and $776 for the Three Months Ended March 31, 2009 and March 31, 2008, respectively, and Income Tax Provision of $29 and $1,591 for the Three Months Ended March 31, 2009 and March 31, 2008, respectively	382	5,304
Preferred Stock Dividends	(4,857)	(4,857)
Loss from Continuing Operations Available to First Industrial Realty Trust, Inc. s Common Stockholders	$ (19,653)	$ (20,494)
Discontinued Operations, Net of Noncontrolling Interest of $550 and $10,072 for the Three Month Ended March 31, 2009 and March 31, 2008, respectively, and Income Tax Benefit (Provision) of $106 and $(407) for the Three Months Ended March 31, 2009 and March 31, 2008, respectively	$ 4,252	$ 68,860
Discontinued Operations Allocable to Participating Securities		(1,016)
Discontinued Operations Attributable to First Industrial Realty Trust, Inc.	$ 4,252	$ 67,844
Net (Loss) Income Available	$ (15,401)	$ 48,366
Net Income Allocable to Participating Securities		(1,016)
Net (Loss) Income Available to First Industrial Realty Trust, Inc. s Common Stockholders	$ (15,401)	$ 47,350
Denominator:		
Weighted Average Shares Basic and Diluted	44,147,164	42,983,912
Basic and Diluted EPS:	$ (0.45)	$ (0.48)

Loss from Continuing Operations Available to First Industrial Realty Trust, Inc. s Common Stockholders				
Discontinued Operations Attributable to First Industrial Realty Trust, Inc.	$	0.10	$	1.58
Net (Loss) Income Available to First Industrial Realty Trust, Inc. s Common Stockholders	$	(0.35)	$	1.10

Participating securities included unvested restricted stock/Units outstanding during the respective period that participate in non-forfeitable dividends of the Company. In accordance with EITF 03-6-1, $1,016 of income was allocated to participating securities for purposes of the EPS computation based on their proportionate share of net income for the three months ended March 31, 2008. Participating security holders are not obligated to share in losses, therefore, none of the loss was allocated to participating securities for the three months ended March 31, 2009.

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The number of weighted average shares diluted is the same as the number of weighted average shares basic for the three months ended March 31, 2009 and March 31, 2008 as the dilutive effect of stock options and restricted Units (that are not participating securities) was excluded as its inclusion would have been antidilutive to the loss from continuing operations available to common stockholders, net of noncontrolling interest and income tax. If the loss from continuing operations available to common stockholders, net of noncontrolling interest and income tax, had been income, the dilutive effect of stock options and restricted Units (that are not participating securities) would have been 0 and 0, respectively, for the three months ended March 31, 2009 and 8,936 and 0, respectively, for the three months ended March 31, 2008.

The total unvested restricted Units (that are not participating securities) aggregating 1,000,000 and 0 were antidilutive at March 31, 2009 and March 31, 2008, respectively, as the issue price of these Units was higher than the Company s average stock price during the respective periods and accordingly, was excluded from dilution computations.

Additionally, options to purchase common stock of 162,634 and 354,101 for the three months ended March 31, 2009 and March 31, 2008, respectively, were antidilutive as the strike price of these stock options was higher than the Company s average stock price during the respective periods and accordingly was excluded from dilution computations.

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

11. Restructuring Costs

During 2009, the Board of Directors committed the Company to a plan to further reduce organizational and overhead costs. For the three months ended March 31, 2009, we recorded as restructuring costs a pre-tax charge of $4,744 to provide for employee severance and benefits ($4,032), costs associated with the termination of certain office leases ($328) and other costs ($384) associated with implementing the restructuring plan. Included in employee severance costs is $2,759 of non-cash costs which represents the accelerated recognition of restricted stock expense for certain employees. At March 31, 2009, we have $2,830 included in Accounts Payable, Accrued Expenses and Other Liabilities related to severance obligations, remaining lease payments and other costs incurred but not yet paid.

12. Stock Based Compensation

For the three months ended March 31, 2009 and March 31, 2008, we recognized $5,422 and $3,460, respectively, in compensation expense related to restricted stock awards, of which $45 and $395, respectively, was capitalized in connection with development activities. At March 31, 2009, we have $16,573 in unrecognized compensation related to unvested restricted stock awards. The weighted average period that the unrecognized compensation is expected to be recognized is 1.28 years. We did not award options to our employees or our directors during the three months ended March 31, 2009 and March 31, 2008 and all outstanding options are fully vested; therefore, no stock-based employee compensation expense related to options is included in Net (Loss) Income Attributable to First Industrial Realty Trust, Inc. s Common Stockholders.

On October 23, 2008, we granted stock appreciation rights (SARs) to our former interim Chief Executive Officer (who is currently Chairman of the Board of Directors of the Company) that entitles him to a special cash payment equal to the appreciation in value of 75,000 shares of our common stock. The payment is to be based on the excess of the closing price of our common stock on October 22, 2009 over $7.94, the closing price on the grant date. The award fully vested during the three months ended December 31, 2008 upon his acceptance of the position.

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At March 31, 2009, the fair value of the stock appreciation rights was determined using the Black-Scholes option pricing model with the following assumptions:

	March 31, 2009
Stock price	$ 2.45
Exercise price	$ 7.94
Expected dividend yield	0.0%
Expected stock volatility	136.1%
Risk-free interest rate	0.36%
Expected life (years)	0.56
Value	$ 0.25

For the three months ended March 31, 2009, we reduced compensation expense by $178 which was due to the decrease in value per SAR from December 31, 2008 to March 31, 2009.

During the three months ended March 31, 2009, we made a grant of 1,000,000 restricted stock units to our Chief Executive Officer (see Note 6).

13. Derivatives

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

As of March 31, 2009, we have two forward starting swaps each with a notional value of $59,750, which fixed the interest rate on forecasted debt offerings. We designated both swaps as cash flow hedges. The rate on the forecasted debt issuance underlying one of the swaps locked on March 20, 2009 (the Forward Starting Agreement 1) and as such, ceased to qualify for hedge accounting. We recognized a $384 loss in Mark-to-Market Gain on Interest Rate Protection Agreements in the statement of operations related to the change in value from March 20, 2009 to March 31, 2009. We anticipate that the other swap (the Forward Starting Agreement 2) will be highly effective, and, as a result, the change in its value is shown in other comprehensive income.

The effective portion of changes in the fair value of the Forward Starting Agreements 1 and 2 is recorded in Other Comprehensive Income and the settlement amount is subsequently amortized to earnings through interest expense. In the next 12 months, we will amortize approximately $240 into net income by decreasing interest expense for similar interest rate protection agreements we settled in previous periods.

As of March 31, 2009, we also have an interest rate swap agreement with a notional value of $50,000 which fixed the LIBOR rate on a portion of our outstanding borrowings on our Unsecured Line of Credit at 2.4150% (the Interest Rate

Swap Agreement). Monthly payments or receipts are treated as a component of interest expense. We designated the Interest Rate Swap Agreement as a cash flow hedge. We anticipate that the Interest Rate Swap Agreement will be highly effective, and, as a result, the change in the fair value is shown in other comprehensive income.

On or after March 31, 2009, our Series F Preferred Stock is subject to a coupon rate reset. The coupon rate resets every quarter beginning March 31, 2009 at 2.375% plus the greater of i) the 30 year U.S. Treasury rate, ii) the 10 year U.S. Treasury rate or iii) 3-month LIBOR. In October 2008, we entered into an interest rate swap agreement with a notional value of $50,000 to mitigate our exposure to floating interest rates related to the forecasted reset rate of the coupon rate our Series F Preferred Stock (the Series F Agreement). This Series F Agreement fixes the 30-year U.S. Treasury rate at 5.2175%. SFAS No. 133, *Accounting for Derivative Instruments and Hedging*

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Activities, (SFAS 133) does not permit hedge accounting treatment related to equity instruments and therefore the mark to market gains or losses related to this agreement are recorded in the statement of operations.

The following is a summary of the terms of the forward starting swaps and the interest rate swaps and their fair values, which are included in Accounts Payable, Accrued Expenses and Other Liabilities on the accompanying consolidated balance sheet as of March 31, 2009:

Hedge Product	Notional Amount	Strike	Trade Date	Maturity Date	Fair Value As of March 31, 2009	Fair Value As of December 31, 2008
Derivatives designated as hedging instruments under SFAS 133:						
Forward-Starting Agreement 1	$ 59,750	4.0725%	January 2008	May 15, 2014	$ (4,826)	$ (3,429)
Forward-Starting Agreement 2	59,750	4.0770%	January 2008	May 15, 2014	(4,786)	(3,452)
Interest Rate Swap Agreement	50,000	2.4150%	March 2008	April 1, 2010	(764)	(858)
Total derivatives designated as hedging instruments under SFAS 133	$ 169,500				$ (10,376)	$ (7,739)
Derivatives not designated as hedging instruments under SFAS 133:						
Series F Agreement	50,000	5.2175%	October 2008	October 1, 2013	(1,574)	(3,073)
Total Derivatives	$ 219,500			Total	$ (11,950)	$ (10,812)

	Location of Gain	Gain Reclassified from	Amount of Loss Recognized in Income on

Derivatives in SFAS 133 Cash Flow Hedging Relationships	**Loss Recognized in OCI (Effective Portion) Three Months Ended March 31, 2009**	**March 31, 2008**	**Reclassified from Accumulated OCI into Income (Effective Portion)**	**OCI into Income (Effective Portion) Three Months Ended March 31, 2009**	**March 31, 2008**	**Location of Loss Recognized in Income (Ineffective Portion)**	**Derivative (Ineffective Portion) Three Months Ended March 31, 2009**	**March 31, 2008**
Interest Rate Products*	$ (2,253)	$ (1,435)	Interest Expense	$ 206	$ 187	Mark-to-Market Gain on Interest Rate Protection Agreements	$ (384)	$

* Includes Forward Starting Agreement 1, Forward Starting Agreement 2, Interest Rate Swap Agreement and interest rate protection agreements settled in previous periods.

Additionally as of March 31, 2009, two of the Joint Ventures have interest rate protection agreements outstanding which effectively convert floating rate debt to fixed rate debt on a portion of their total variable debt. The hedge relationships are considered highly effective and as such, for the three months ended March 31, 2009 and March 31, 2008, we recorded $63 and ($666) in unrealized gain (loss), respectively, representing our 10% share, offset by ($25) and $259 of income tax (provision) benefit, respectively, which is shown in Mark-to-Market on Interest Rate Protection Agreements, Net of Income Tax, in other comprehensive income.

Our agreements with our derivative counterparties contain provisions where if we default on any of our indebtedness, then we could also be declared in default on our derivative obligations subject to certain thresholds.

We adopted the provisions of SFAS 157 as of January 1, 2008, for financial instruments recorded at fair value. SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth our financial liabilities that are accounted for at fair value on a recurring basis as of March 31, 2009:

		Fair Value Measurements at March 31, 2009 Using:		
Description	**March 31, 2009**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Liabilities:				
Forward Starting Agreements 1 and 2	$ 9,612		$ 9,612	
Interest Rate Swap Agreement	$ 764		$ 764	
Series F Agreement	$ 1,574			$ 1,574

The valuation of the Forward Starting Swap Agreements 1 and 2 and the Interest Rate Swap Agreement are determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each instrument. This analysis reflects the contractual terms of the agreements, incl