

FIRST INDUSTRIAL REALTY TRUST INC
Form 10-K
February 20, 2019

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

Form 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

or
.. 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.)
333-21873 (First Industrial, L.P.)

FIRST INDUSTRIAL REALTY TRUST, INC.
FIRST INDUSTRIAL, L.P.
(Exact name of Registrant as specified in its Charter)

Maryland (First Industrial Realty Trust, Inc.)	36-3935116 (First Industrial Realty Trust, Inc.)
Delaware (First Industrial, L.P.)	36-3924586 (First Industrial, L.P.)
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 N. Wacker Drive, Suite 4200, Chicago, Illinois (Address of principal executive offices)	60606 (Zip Code)
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(312) 344-4300
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:
Common Stock (First Industrial Realty Trust, Inc.)
(Title of Class)

New York Stock Exchange
(Name of exchange on which registered)
Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

First Industrial Realty Trust, Inc. Yes No

First Industrial, L.P. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

First Industrial Realty Trust, Inc. Yes No

First Industrial, L.P. Yes No

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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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

First Industrial Realty Trust, Inc. Yes No

First Industrial, L.P. Yes No

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).

First Industrial Realty Trust, Inc. Yes No

First Industrial, L.P. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

First Industrial Realty Trust, Inc.:

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company) Emerging growth company

First Industrial, L.P.:

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

First Industrial Realty Trust, Inc.

First Industrial, L.P.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

First Industrial Realty Trust, Inc. Yes No

First Industrial, L.P. Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of First Industrial Realty Trust, Inc. was approximately \$4,144.6 million based on the closing price on the New York Stock Exchange for such stock on June 30, 2018.

At February 15, 2019, 126,594,152 shares of First Industrial Realty Trust, Inc.'s Common Stock, \$0.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference to First Industrial Realty Trust, Inc.'s definitive proxy statement expected to be filed with the Securities and Exchange Commission no later than 120 days after the end of First Industrial Realty Trust, Inc.'s fiscal year.

EXPLANATORY NOTE

This report combines the Annual Reports on Form 10-K for the period ended December 31, 2018 of First Industrial Realty Trust, Inc., a Maryland corporation (the "Company"), and First Industrial, L.P., a Delaware limited partnership (the "Operating Partnership"). Unless stated otherwise or the context otherwise requires, the terms "we," "our" and "us" refer to the Company and its subsidiaries, including the Operating Partnership and its consolidated subsidiaries. The Company is a real estate investment trust and the general partner of the Operating Partnership. At December 31, 2018, the Company owned an approximate 98.0% common general partnership interest in the Operating Partnership. The remaining approximate 2.0% common limited partnership interests in the Operating Partnership are owned by certain limited partners. As the sole general partner of the Operating Partnership, the Company exercises exclusive and complete discretion over the Operating Partnership's day-to-day management and control and can cause it to enter into certain major transactions, including acquisitions, dispositions and refinancings. The management of the Company consists of the same members as the management of the Operating Partnership.

The Company and the Operating Partnership are managed and operated as one enterprise. The financial results of the Operating Partnership are consolidated into the financial statements of the Company. The Company has no significant assets other than its investment in the Operating Partnership. Substantially all of the Company's assets are held by, and its operations are conducted through, the Operating Partnership and its subsidiaries. Therefore, the assets and liabilities of the Company and the Operating Partnership are substantially the same.

We believe it is important to understand the differences between the Company and the Operating Partnership in the context of how the Company and the Operating Partnership operate as an interrelated, consolidated company. The main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership are:

Stockholders' Equity, Noncontrolling Interest and Partners' Capital. The 2.0% equity interest in the Operating Partnership held by entities other than the Company are classified within partners' capital in the Operating Partnership's financial statements and as a noncontrolling interest in the Company's financial statements.

Relationship to Other Real Estate Partnerships. The Company's operations are conducted primarily through the Operating Partnership and its subsidiaries, though operations are also conducted through eight other limited partnerships, which are referred to as the "Other Real Estate Partnerships." The Operating Partnership is a limited partner, holding at least a 99% interest, and the Company is a general partner, holding at least a .01% general partnership interest through eight separate wholly-owned corporations, in each of the Other Real Estate Partnerships. The Other Real Estate Partnerships are variable interest entities that both the Company and the Operating Partnership consolidate. The Company's direct general partnership interest in the Other Real Estate Partnerships is reflected as noncontrolling interest within the Operating Partnership's financial statements.

Relationship to Service Subsidiary. The Company has a direct wholly-owned subsidiary that does not own any real estate but provides services to various other entities owned by the Company. Since the Operating Partnership does not have an ownership interest in this entity, its operations are reflected in the consolidated results of the Company but not the Operating Partnership. Also, this entity owes certain amounts to the Operating Partnership, for which a receivable is included on the Operating Partnership's balance sheet but is eliminated on the Company's consolidated balance sheet, since both this entity and the Operating Partnership are fully consolidated by the Company.

We believe combining the Company's and Operating Partnership's annual reports into this single report results in the following benefits:

- enhances investors' understanding of the Company and the Operating Partnership by enabling them to view the business as a whole and in the same manner as management views and operates the business;
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports; and
- eliminates duplicative disclosures and provides a more streamlined and readable presentation for our investors to review since a substantial portion of the Company's disclosure applies to both the Company and the Operating Partnership.

To help investors understand the differences between the Company and the Operating Partnership, this report provides the following separate disclosures for each of the Company and the Operating Partnership:

- consolidated financial statements;

a single set of consolidated notes to such financial statements that includes separate discussions of each entity's stockholders' equity or partners' capital, as applicable; and
a combined Management's Discussion and Analysis of Financial Condition and Results of Operations section that includes distinct information related to each entity.

This report also includes separate Part II, Item 9A, Controls and Procedures sections and separate Exhibits 31 and 32 certifications for the Company and the Operating Partnership in order to establish that the requisite certifications have been made and that the Company and the Operating Partnership are both compliant with Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.

FIRST INDUSTRIAL REALTY TRUST, INC.
 FIRST INDUSTRIAL, L.P.
 TABLE OF CONTENTS

	Page
<u>PART I.</u>	<u>4</u>
Item 1. <u>Business</u>	<u>4</u>
Item 1A. <u>Risk Factors</u>	<u>7</u>
Item 1B. <u>Unresolved SEC Comments</u>	<u>17</u>
Item 2. <u>Properties</u>	<u>17</u>
Item 3. <u>Legal Proceedings</u>	<u>22</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>22</u>
 <u>PART II.</u>	 <u>23</u>
Item 5. <u>Market for Registrant's Common Equity / Partners' Capital, Related Stockholder / Unitholder Matters and Issuer Purchases of Equity Securities</u>	<u>23</u>
Item 6. <u>Selected Financial Data</u>	<u>25</u>
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>40</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	<u>40</u>
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>41</u>
Item 9A. <u>Controls and Procedures</u>	<u>41</u>
Item 9B. <u>Other Information</u>	<u>42</u>
 <u>PART III.</u>	 <u>43</u>
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>43</u>
Item 11. <u>Executive Compensation</u>	<u>43</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>43</u>
Item 13. <u>Certain Relationships and Related Transactions and Director Independence</u>	<u>43</u>
Item 14. <u>Principal Accountant Fees and Services</u>	<u>43</u>
 <u>PART IV.</u>	 <u>43</u>
Item 15. <u>Exhibits and Financial Statements and Financial Statement Schedule</u>	<u>43</u>
Item 16. <u>Form 10-K Summary</u>	<u>46</u>
<u>Signatures</u>	<u>S-18</u>

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). We intend for 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. Forward-looking statements are based on certain assumptions and describe our future plans, strategies and expectations, and are generally identifiable by use of the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "project," "seek," "target," "potential," "focus," "may," "will," "should" or similar words. Although we believe the expectations reflected in forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be attained or that results will not materially differ. Factors which could have a materially adverse effect on our operations and future prospects include, but are not limited to:

- changes in national, international, regional and local economic conditions generally and real estate markets specifically;
- changes in legislation/regulation (including changes to laws governing the taxation of real estate investment trusts) and actions of regulatory authorities;
- our ability to qualify and maintain our status as a real estate investment trust;
- the availability and attractiveness of financing (including both public and private capital) and changes in interest rates;
- the availability and attractiveness of terms of additional debt repurchases;
- changes in our credit agency ratings;
- our ability to comply with applicable financial covenants;
- our competitive environment;
- changes in supply, demand and valuation of industrial properties and land in our current and potential market areas;
- difficulties in identifying and consummating acquisitions and dispositions;
- our ability to manage the integration of properties we acquire;
- potential liability relating to environmental matters;
- defaults on or non-renewal of leases by our tenants;
- decreased rental rates or increased vacancy rates;
- higher-than-expected real estate construction costs and delays in development or lease-up schedules;
- changes in general accounting principles, policies and guidelines applicable to real estate investment trusts; and
- other risks and uncertainties described in Item 1A, "Risk Factors" and elsewhere in this report as well as those risks and uncertainties discussed from time to time in our other Exchange Act reports and in our other public filings with the Securities and Exchange Commission (the "SEC").

We caution you not to place undue reliance on forward-looking statements, which reflect our outlook only and speak only as of the date of this report. We assume no obligation to update or supplement forward-looking statements.

PART I

THE COMPANY

Item 1. Business

Background

First Industrial Realty Trust, Inc. is a self-administered and fully integrated real estate company which owns, manages, acquires, sells, develops and redevelops industrial real estate. The Company is a Maryland corporation organized on August 10, 1993 and a real estate investment trust ("REIT") as defined in the Internal Revenue Code of 1986 (the "Code"). As of December 31, 2018, our in-service portfolio consisted of 171 bulk warehouse properties, 93 regional warehouse properties, 152 light industrial properties and 31 R&D/flex properties, containing an aggregate of approximately 60.7 million square feet of gross leasable area ("GLA") located in 21 states. Our in-service portfolio includes all properties that have reached stabilized occupancy (generally defined as properties that are 90% leased), developed and redeveloped properties one year from the date construction is completed and acquired properties that are at least 75% occupied at acquisition or one year from the acquisition date.

We began operations on July 1, 1994. The Company's operations are conducted primarily through the Operating Partnership, a Delaware limited partnership formed on November 23, 1993 of which the Company is the sole general partner (the "General Partner"), with an approximate 98.0% and 96.8% ownership interest ("General Partner Units") at December 31, 2018 and 2017, respectively. The Operating Partnership also conducts operations through the Other Real Estate Partnerships, numerous limited liability companies ("LLCs") and certain taxable REIT subsidiaries ("TRSs"), the operating data of which, together with that of the Operating Partnership, is consolidated with that of the Company as presented herein. The Company does not have any significant assets or liabilities other than its investment in the Operating Partnership and its 100% ownership interest in the general partners of the Other Real Estate Partnerships. Noncontrolling interest in the Operating Partnership of approximately 2.0% and 3.2% at December 31, 2018 and 2017, respectively, represents the aggregate partnership interest held by the limited partners thereof ("Limited Partner Units" and together with the General Partner Units, the "Units").

Profits, losses and distributions of the Operating Partnership, the LLCs, the Other Real Estate Partnerships and the TRSs are allocated to the general partner and the limited partners, the members or the shareholders, as applicable, of such entities in accordance with the provisions contained within their respective organizational documents.

We also own a 49% equity interest in, and provide various services to, a joint venture (the "Joint Venture") through a wholly owned subsidiary of the Operating Partnership. The Joint Venture is accounted for under the equity method of accounting. The operating data of the Joint Venture is not consolidated with that of the Company or the Operating Partnership as presented herein.

We utilize an operating approach which combines the effectiveness of decentralized, locally based property management, acquisition, sales and development functions with the cost efficiencies of centralized acquisition, sales and development support, capital markets expertise, asset management and fiscal control systems. At December 31, 2018, we had 145 employees.

Available Information

We maintain a website at www.firstindustrial.com. Information on this website shall not constitute part of this Form 10-K. Copies of our respective annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports are available without charge on our website as soon as reasonably practicable after such reports are filed with or furnished to the SEC. You may also read and copy any document filed at the public reference facilities of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information about the public reference facilities. These documents also may be accessed through the SEC's Interactive Data Electronic Application via the SEC's home page on the Internet (www.sec.gov). In addition, the Company's Corporate Governance Guidelines, Code of Business Conduct and Ethics, Audit Committee Charter, Compensation Committee Charter and Nominating/Corporate Governance Committee Charter, along with supplemental financial and operating information prepared by us, are all available without charge on the Company's website or upon request to the Company. Amendments to, or waivers from, our Code of Business Conduct and Ethics

that apply to our executive officers or directors will also be posted to our website. We also post or otherwise make available on our website from time to time other information that may be of interest to our investors. Please direct requests as follows:

First Industrial Realty Trust, Inc.
1 N. Wacker Drive, Suite 4200
Chicago, IL 60606
Attention: Investor Relations

Business Objectives and Growth Plans

Our fundamental business objective is to maximize the total return to the Company's stockholders and the Operating Partnership's partners through an increase in cash flows and increases in the value of our properties and operations.

Our long-term business growth plans include the following elements:

Internal Growth. We seek to grow internally by (i) increasing revenues by renewing or re-leasing spaces subject to expiring leases at higher rental levels; (ii) contractual rent escalations on our long-term leases; (iii) increasing occupancy levels at properties where vacancies exist and maintaining occupancy elsewhere; (iv) controlling and minimizing property operating and general and administrative expenses; and (v) renovating existing properties.

External Growth. We seek to grow externally through (i) the development of industrial properties; (ii) the acquisition of portfolios of industrial properties or individual properties which meet our investment parameters within our target markets; (iii) the expansion of our properties; and (iv) possible additional joint venture investments.

Portfolio Enhancement. We continually seek to upgrade our overall portfolio via new investments as well as through the sale of select assets that we believe do not exhibit favorable characteristics for long-term cash flow growth.

Our ability to pursue our long-term growth plans is affected by market conditions and our financial condition and operating capabilities. See "Summary of Significant Transactions in 2018" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Business Strategies

We utilize the following six strategies in connection with the operation of our business:

Organizational Strategy. We implement our decentralized property operations strategy through the deployment of experienced regional management teams and local property managers. We provide acquisition, development and financing assistance, asset management oversight and financial reporting functions from our headquarters in Chicago, Illinois to support our regional operations. We believe the size of our portfolio enables us to realize operating efficiencies by spreading overhead among many properties and by negotiating purchasing discounts.

Market Strategy. Our market strategy is to concentrate on the top industrial real estate markets in the United States. These markets have one or more of the following characteristics: (i) favorable industrial real estate fundamentals, including improving industrial demand and constrained supply that can lead to long-term rent growth; (ii) warehouse distribution markets with favorable economic and business environments that should benefit from increases in distribution activity driven by growth in global trade and local consumption; and (iii) sufficient size to provide ample opportunity for growth through incremental investments as well as offer asset liquidity.

Leasing and Marketing Strategy. We have an operational management strategy designed to enhance tenant satisfaction and portfolio performance. We pursue an active leasing strategy, which includes broadly marketing available space, seeking to renew existing leases at higher rents per square foot and seeking leases which provide for the pass-through of property-related expenses to the tenant. We also have local and national marketing programs which focus on the business and real estate brokerage communities and multi-national tenants.

Acquisition/Development Strategy. Our acquisition/development strategy is to invest in industrial properties in the top industrial real estate markets in the United States through the deployment of experienced regional management teams.

Disposition Strategy. We continually evaluate local market conditions and property-related factors in all of our markets for purposes of identifying assets suitable for disposition.

Financing Strategy. To finance acquisitions, developments and debt maturities, as market conditions permit, we may utilize a portion of proceeds from property sales, unsecured debt offerings, term loans, mortgage financings and line of credit borrowings under our \$725.0 million unsecured revolving credit agreement (the "Unsecured Credit Facility"), and proceeds from the issuance, when and as warranted, of additional equity securities. We also continually evaluate joint venture arrangements as another source of capital to finance acquisitions and developments. As of February 15, 2019, we had approximately \$713.4 million available for additional borrowings under the Unsecured Credit Facility.

Future Property Acquisitions, Developments and Property Sales

We have acquisition and development programs through which we seek to identify portfolio and individual industrial property acquisitions and developments. We also sell properties based on market conditions and property related factors. As a result, we are currently engaged in negotiations relating to the possible acquisition, development or sale of certain industrial properties in our portfolio.

When evaluating potential industrial property acquisitions and developments, as well as potential industrial property sales, we will consider such factors as: (i) the geographic area and type of property; (ii) the location, construction quality, condition and design of the property; (iii) the terms of tenant leases, including the potential for rent increases; (iv) the potential for economic growth and the general business, tax and regulatory environment of the area in which the property is located; (v) the occupancy and demand by tenants for properties of a similar type in the vicinity; (vi) competition from existing properties and the potential for the construction of new properties in the area; (vii) the potential for capital appreciation of the property; (viii) the ability to improve the property's performance through renovation; and (ix) the potential for expansion of the physical layout of the property and/or the number of sites.

Industry

Industrial properties are typically used for the design, assembly, packaging, storage and distribution of goods and/or the provision of services. As a result, the demand for industrial space in the United States is related to the level of economic output and consumption, including e-commerce fulfillment. Accordingly, the competition we face to lease our existing properties and acquire or develop new properties varies with the levels of these factors.

Item 1A. Risk Factors

Our operations involve various risks that could adversely affect our business, including our financial condition, our results of operations, our cash flow, our liquidity, our ability to make distributions to holders of the Company's common stock and the Operating Partnership's Units, the market price of the Company's common stock and the market value of the Units. These risks, among others contained in our other filings with the SEC, include:

Disruptions in the financial markets could affect our ability to obtain financing and may negatively impact our liquidity, financial condition and operating results.

A significant amount of our existing indebtedness was issued through capital markets transactions. We anticipate that the capital markets could be a source of refinancing of our existing indebtedness in the future. This source of refinancing may not be available if volatility in or disruption of the capital markets occurs. From time to time, the capital and credit markets in the United States and other countries experience significant price volatility, dislocations and liquidity disruptions, which can cause the market prices of many securities and the spreads on prospective debt financings to fluctuate substantially. These circumstances can materially impact liquidity in the financial markets, making terms for certain financings less attractive, and in some cases result in the unavailability of financing.

Furthermore, we could potentially lose access to available liquidity under our Unsecured Credit Facility if one or more participating lenders were to default on their commitments. If our ability to issue additional debt or equity securities or to borrow money under our Unsecured Credit Facility were to be impaired by volatility in or disruption of the capital markets, it could have a material adverse effect on our liquidity and financial condition.

In addition, price volatility in the capital and credit markets could make the valuation of our properties more difficult. There may be significant uncertainty in the valuation, or in the stability of the value, of our properties that could result in a substantial decrease in the value of our properties. As a result, we may not be able to recover the carrying amount of our properties, which may require us to recognize an impairment loss in earnings.

Real estate investments fluctuate in value depending on conditions in the general economy and the real estate industry. These conditions may limit our revenues and available cash.

The factors that affect the value of our real estate and the revenues we derive from our properties include, among other things:

- general economic conditions;
- local, regional, national and international economic conditions and other events and occurrences that affect the markets in which we own properties;
- local conditions such as oversupply or a reduction in demand in an area;
- increasing labor and material costs;
- the ability to collect on a timely basis all rents from tenants;
- changes in tenant operations, real estate needs and credit;
- changes in interest rates and in the availability, cost and terms of mortgage funding;
- zoning or other regulatory restrictions;
- competition from other available real estate;
- operating costs, including maintenance, insurance premiums and real estate taxes; and
- other factors that are beyond our control.

Our investments in real estate assets are concentrated in the industrial sector, and the demand for industrial space in the United States is related to the level of economic output. Accordingly, reduced economic output may lead to lower occupancy rates for our properties. In addition, if any of our tenants experiences a downturn in its business that weakens its financial condition, delays lease commencement, fails to make rental payments when due, becomes insolvent or declares bankruptcy, the result could be a termination of the tenant's lease, which could adversely affect our cash flow from operations. These factors may be amplified by a disruption of financial markets or more general economic conditions.

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

Our financial results depend on leasing space to tenants on terms favorable to us. Our income and funds available for distribution to our stockholders and Unitholders will decrease if a significant number of our tenants cannot pay their rent or we are unable to lease properties on favorable terms. In addition, if a tenant does not pay its rent, we may not be able to enforce our rights as landlord without delays and we may incur substantial legal costs. Costs associated with real property, such as real estate taxes and maintenance costs, generally are not reduced when circumstances cause a reduction in income from the property.

We may be unable to acquire properties on advantageous terms or acquisitions may not perform as we expect.

We have routinely acquired properties from third parties as conditions warrant and, as part of our business, we intend to continue to do so. The acquisition of properties entails various risks, including risks that our investments may not perform as expected and that our cost estimates for bringing an acquired property up to market standards, if necessary, may prove inaccurate. Further, we face significant competition for attractive investment opportunities from other well-capitalized real estate investors, including publicly-traded REITs and private investors. This competition increases as investments in real estate become attractive relative to other forms of investment. As a result of competition, we may be unable to acquire additional properties and purchase prices may increase. In addition, we expect to finance future acquisitions through a combination of borrowings under the Unsecured Credit Facility, proceeds from equity or debt offerings and debt originations and proceeds from property sales, which may not be available. Any of the above risks could adversely affect our financial condition, results of operations, cash flow and ability to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units.

We may obtain only limited warranties when we purchase a property and would have only limited recourse in the event our due diligence did not identify any issues that lower the value of our property.

The seller of a property often sells such property in its "as is" condition on a "where is" basis and "with all faults," without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of properties with limited warranties increases the risk that we may lose some or all of our invested capital in the property as well as the loss of rental income from that property.

We may be unable to sell properties when appropriate or at all because real estate investments are not as liquid as certain other types of assets.

Real estate investments generally cannot be sold quickly, which could limit our ability to adjust our property portfolio in response to changes in economic conditions or in the performance of the portfolio. This could adversely affect our financial condition and our ability to service debt and make distributions to our stockholders and Unitholders. In addition, like other companies qualifying as REITs under the Code, our ability to sell assets may be restricted by tax laws that potentially result in punitive taxation on asset sales that fail to meet certain safe harbor rules or other criteria established under case law.

We may be unable to sell properties on advantageous terms.

We have routinely sold properties to third parties as conditions warrant and, as part of our business, we intend to continue to do so. However, our ability to sell properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers. If we are unable to sell properties on favorable terms or to redeploy the proceeds in accordance with our business strategy, then our financial condition, results of operations, cash flow and ability to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units could be adversely affected. Further, if we sell properties by providing financing to purchasers, defaults by the purchasers would adversely affect our operations and financial condition.

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

As part of our business, we develop new properties and re-develop existing properties as conditions warrant. This part of our business involves significant risks, including the following:

- we may not be able to obtain financing for these projects on favorable terms;
 - we may not complete construction on schedule or within budget;
 - we 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;
 - contractor and subcontractor disputes, strikes, labor disputes or supply chain disruptions may occur; and
- properties may perform below anticipated levels, producing cash flow below budgeted amounts, which may result in us paying too much for a property, cause the property to not be profitable and limit our ability to sell such properties to third parties.

To the extent these risks result in increased debt service expense, construction costs and delays in budgeted leasing, they could adversely affect our financial condition, results of operations, cash flow and ability to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units. We may be unable to renew leases or find other lessees on advantageous terms or at all.

We are 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 the expiring lease terms. If we were unable to promptly renew a significant number of expiring leases or to promptly relet the spaces covered by such leases, or if the rental rates upon renewal or reletting were significantly lower than the current rates, our financial condition, results of operation, cash flow and ability to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units could be adversely affected.

The Company might fail to qualify as a REIT under existing laws and/or federal income tax laws could change.

The Company intends to operate so as to qualify as a REIT under the Code, and we believe that the Company is organized and will operate in a manner that allows us to continue to do so. However, 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. There are only limited judicial and administrative interpretations of these provisions, and they involve the determination of various factual matters and circumstances not entirely within our control.

If the Company were to fail to qualify as a REIT in any taxable year, the Company would be subject to federal income tax at corporate rates. This could result in a discontinuation or substantial reduction in distributions to our stockholders and Unitholders and could reduce the cash available to pay interest and principal on debt securities that we issue. Unless entitled to relief under certain statutory provisions, the Company would be disqualified from electing treatment as a REIT for the four taxable years following the year during which the Company failed to qualify.

The act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 commonly known as Tax Cuts and Jobs Act (the "TCJ Act"), which generally took effect for taxable years beginning on or after January 1, 2018 (subject to certain exceptions), made many significant changes to the U.S. federal income tax laws that profoundly impacted the taxation of individuals and corporations (including both regular C corporations and corporations that have elected to be taxed as REITs). Among other changes, the TCJ Act permanently reduced the generally applicable corporate tax rate, generally reduced the tax rate applicable to individuals and other non-corporate taxpayers for tax years beginning on or after January 1, 2018 and before January 1, 2026, eliminated or modified certain previously allowed deductions (including substantially limiting interest deductibility and, for individuals, the deduction for non-business state and local taxes), and, for taxable years beginning on or after January 1, 2018 and before January 1, 2026, provides for preferential rates of taxation through a deduction of up to 20% (subject to certain limitations) on most ordinary REIT dividends and certain trade or business income of non-corporate taxpayers. The TCJ Act also imposed new limitations on the deduction of net operating losses, which may result in the Company having to make additional taxable distributions to our stockholders in order to comply with REIT distribution requirements and avoid taxes on retained income and gains. A number of changes that affect noncorporate taxpayers will expire at the end of 2025 unless Congress acts to extend them. These changes will impact us and our shareholders in various ways, some of which are adverse or potentially adverse compared to prior law. To date, the IRS has issued only limited guidance with respect to certain of the new provisions, and there are numerous interpretive issues that will require guidance. It is highly likely that technical corrections legislation will be needed to clarify certain aspects of the new law and give proper effect to Congressional intent. There can be no assurance, however, that technical clarifications or changes needed to prevent unintended or unforeseen tax consequences will be enacted by Congress in the near future.

Additionally, since the IRS, the United States Treasury Department and Congress frequently review federal income tax legislation, we cannot predict whether, when or to what extent new federal laws, regulations, interpretations or rulings will be adopted. Additional changes to tax laws are likely to continue to occur in the future and any such legislative action may prospectively or retroactively modify the Company's tax treatment and therefore, may adversely affect taxation of us and/or our stockholders and Unitholders. Any such changes could have an adverse effect on an investment in shares or on the market value or the resale potential of our properties. Stockholders and Unitholders are urged to consult with their own tax advisor with respect to the impact of recent legislation, the status of legislative, regulatory, or administrative developments and proposals, and their potential effect on ownership of our shares. Certain property transfers may generate prohibited transaction income, resulting in a penalty tax on the gain attributable to the transaction.

As part of our business, we sell properties to third parties as opportunities arise. Under the Code, a 100% penalty tax could be assessed on the tax gain recognized 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 IRS could contend that certain sales of properties by us are prohibited transactions. While we have implemented controls to avoid prohibited transactions, if a dispute were to arise that was successfully argued by the IRS, the 100% penalty tax could be assessed against the Company's profits from these transactions.

The REIT distribution requirements may limit our ability to retain capital and require us to turn to external financing sources.

As a REIT, the Company must distribute to its stockholders at least 90% of its taxable income each year. The Company could, in certain instances, have taxable income without sufficient cash to enable it to meet this requirement. In that situation, we could be required to borrow funds or sell properties on adverse terms in order to do so. The distribution requirement could also limit our ability to accumulate capital to provide capital resources for our ongoing business, and to satisfy our debt repayment obligations and other liquidity needs, we 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 our leverage and additional equity offerings may result in substantial dilution of stockholders' and Unitholders' interests.

We face possible state and local tax audits.

Because the Company is organized and qualifies as a REIT, we are generally not subject to federal income taxes, but we are subject to certain state and local taxes. In the normal course of business, certain entities through which we own real estate have undergone tax audits. Collectively, tax deficiency notices received to date from the jurisdictions conducting previous audits have not been material. However, there can be no assurance that future audits will not occur with increased frequency or that the ultimate result of such audits will not have a material adverse effect on our results of operations.

Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

Subject to maintaining the Company's qualification as a REIT, we may seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as interest cap agreements, interest rate swap agreements and treasury locks. These agreements may fail to protect or could adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability;
- the amount of income that a REIT may earn from hedging transactions (other than through taxable REIT subsidiaries) is limited by U.S. federal tax provisions governing REITs;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction;
- the party owing money in the hedging transaction may default on its obligation to pay;
- we could incur significant costs associated with the settlement of the agreements;
- the underlying transactions could fail to qualify as highly-effective cash flow hedges under generally accepted accounting practices; and
- a court could rule that such an agreement is not legally enforceable.

We have adopted a practice relating to the use of derivative financial instruments to hedge interest rate risks related to our borrowings. This practice requires the Company's Board of Directors to authorize our use of derivative financial instruments to fix the interest rate on anticipated offerings of unsecured debt and to manage the interest rates on our variable rate borrowings. Our practice is that we do not use derivatives for speculative or trading purposes and intend only to enter into contracts with major financial institutions based on their credit rating and other factors, but the Company's Board of Directors may choose to change these practices in the future. Hedging may reduce the overall returns on our investments, which could reduce our cash available for distribution to our stockholders and Unitholders. Failure to hedge effectively against interest rate changes may materially adversely affect our financial condition, results of operations and cash flow.

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

We use debt to increase the rate of return to our stockholders and Unitholders and to allow us to make more investments than we otherwise could. Our use of leverage presents an additional element of risk in the event that the cash flow from our 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 our cash flow by increasing the amount of interest due on our floating rate debt and on our fixed rate debt as it matures and is refinanced. Certain of our variable rate debt, including our revolving credit facility, currently uses LIBOR as a benchmark for establishing the interest rate. LIBOR is the subject of recent proposals for reform. Any changes to the methods by which LIBOR is determined, or any other reforms to LIBOR which may be enacted in the United Kingdom, the European Union or elsewhere may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, and changes in the rules or methodologies in LIBOR, which may discourage market participants from continuing to administer or to participate in LIBOR's determination, and, in certain situations, could result in LIBOR no longer being determined and published. If a published U.S. dollar LIBOR rate becomes unavailable for any reason, the interest rates on our debt which is indexed to LIBOR would be determined using various alternative methods, any of which may result in interest obligations which are more than or do not otherwise correlate over time with the payments that would have been made on such debt if U.S. dollar LIBOR was available in its current form. Further, the same costs and risks that may lead to the discontinuation or unavailability of U.S. dollar LIBOR may make one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on our financing costs. Our organizational documents do not contain any limitation on the amount or percentage of indebtedness we may incur.

Failure to comply with covenants in our debt agreements could adversely affect our financial condition. The terms of our agreements governing our indebtedness require that we comply with a number of financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. Complying with such covenants may limit our operational flexibility. Our failure to comply with these covenants could cause a default under the applicable debt agreement even if we have satisfied our payment obligations. Consistent with our prior practice, we will 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 the noteholders or lenders in a manner that could impose and cause us to incur material costs. Our ability to meet our financial covenants may be adversely affected if economic and credit market conditions limit our ability to reduce our debt levels consistent with, or result in net operating income below, our current expectations. Under our Unsecured Credit Facility, an event of default can also occur if the lenders, in their good faith judgment, determine that a material adverse change has occurred that could prevent timely repayment or materially impair our ability to perform our obligations under the loan agreement. Upon the occurrence of an event of default, we would be subject to higher finance costs and fees, and the lenders under our Unsecured Credit Facility will not be required to lend any additional amounts to us. In addition, our indebtedness, together with accrued and unpaid interest and fees, could be accelerated and declared to be immediately due and payable. Furthermore, our Unsecured Credit Facility, our unsecured term loans and the indentures governing our senior unsecured notes contain certain cross-default provisions that may be triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure our Unsecured Credit Facility, our unsecured term loans or our senior unsecured notes (which includes our private placement notes), depending on which is in default, and such restructuring could adversely affect our financial condition, results of operations, cash flow and ability to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units. If repayment of any of our indebtedness is accelerated, we cannot provide assurance that we would be able to borrow sufficient funds to refinance such indebtedness or that we would be able to sell sufficient assets to repay such indebtedness. Even if we were able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to us. Cross-collateralization of mortgage loans could result in foreclosure on a significant portion of our properties if we are unable to service its indebtedness. Certain of our mortgages were issued on a cross-collateralized basis. Cross-collateralization makes all of the subject properties available to the lender in order to satisfy the debt. To the extent indebtedness is cross-collateralized, lenders may seek to foreclose upon properties that do not comprise the primary collateral for a loan, which may, in turn, result in acceleration of other indebtedness collateralized by such properties. Foreclosure of properties would result in a loss of income and asset value to us, making it difficult for us to meet both debt payment obligations and the distribution requirements of the REIT provisions of the Code. We may have to make lump-sum payments on our existing indebtedness. We are required to make lump-sum or "balloon" payments under the terms of some of our indebtedness. Our ability to make required payments of principal on outstanding indebtedness, whether at maturity or otherwise, may depend on our ability to refinance the applicable indebtedness or to sell properties. Currently, we have no commitments to refinance any of our indebtedness. Our mortgages may impact our ability to sell encumbered properties on advantageous terms or at all. Certain of our mortgages contain, and some future mortgages may contain, substantial prepayment premiums that we would have to pay upon the sale of a property, thereby reducing the net proceeds to us from the sale of any such property. As a result, our willingness to sell certain properties and the price at which we may desire to sell a property may be impacted. If we are unable to sell properties on favorable terms or redeploy the proceeds of property sales in accordance with our business strategy, then our financial condition, results of operations, cash flow and ability to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units could be adversely affected. Adverse market and economic conditions could cause us to recognize impairment charges.

We regularly review our real estate assets for impairment indicators, such as a decline in a property's occupancy rate, decline in general market conditions or a change in the expected hold period of an asset. If we determine that indicators of impairment are present, we review the properties affected by these indicators to determine whether an impairment charge is required. As a result, we may be required to recognize asset impairment, which could materially and adversely affect our business, financial condition and results of operations. We use considerable judgment in making determinations about impairments, from analyzing whether there are indicators of impairment, to the assumptions used in calculating the fair value of the investment. Accordingly, our subjective estimates and evaluations may not be accurate, and such estimates and evaluations are subject to change or revision.

Earnings and cash dividends, asset value and market interest rates affect the price of the Company's common stock. The market value of the Company's common stock is based in large part upon the market's perception of the growth potential of the Company's earnings and cash dividends. The market value of the Company's common stock is also based upon the 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 the payment of cash dividends/distributions 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 market 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. Any reduction in the market price of the Company's common stock would, in turn, reduce the market value of the Units.

We may become subject to litigation.

We may become subject to litigation, including claims relating to our operations, offerings, and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. Resolution of these types of matters could adversely impact our financial condition, results of operations and cash flow. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and directors.

We may incur unanticipated costs and liabilities due to environmental problems.

Under various federal, state and local laws, ordinances and regulations, we may, as an owner or operator of real estate, 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 a 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 our ability to rent or sell a property or to borrow using a property as collateral. The disposal or treatment of hazardous or toxic materials, or the arrangement of such disposal or treatment, may cause us to be liable for the costs of clean-up of such materials or for related natural resource damages occurring at or emanating from an off-site disposal or treatment facility, whether or not the facility is owned or operated by us. No assurance can be given that existing environmental assessments with respect to any of our properties reveal all environmental liabilities, that any prior owner or operator of any of our properties did not create any material environmental condition not known to us or that a material environmental condition does not otherwise exist as to any of our properties. Moreover, there can be no assurance that (i) changes to existing laws, ordinances or regulations to address, among other things, climate change, will not impose any material environmental liability or (ii) the current environmental condition of our properties will not be affected by customers, by the condition of land or operations in the vicinity of our properties (such as releases from underground storage tanks), or by third-parties unrelated to us.

All of our properties were subject to a Phase I or similar environmental assessment by independent environmental consultants at the time of acquisition. Phase I assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. Phase I assessments generally include a historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a written report, but do not include soil sampling or subsurface investigations and typically do not include an asbestos survey. While some of these assessments have led to further investigation and sampling, none of our environmental assessments of our properties have revealed an environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations taken as a whole. However, we cannot give any assurance that such conditions do not exist or may not arise in the future.

Material environmental conditions, liabilities or compliance concerns may arise after the environmental assessment has been completed.

Environmental laws in the U.S. also require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third-parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of our properties may contain asbestos-containing building materials.

We invest in properties historically used for industrial, manufacturing and commercial purposes. Some of these properties contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. All of these operations create a potential for the release of petroleum products or other hazardous or toxic substances. Some of our properties are adjacent to or near other properties that may have contained or currently contain underground storage tanks used to store petroleum products, or other hazardous or toxic substances. In addition, previous or current occupants of our properties and adjacent properties may have engaged, or may in the future engage, in activities that may release petroleum products or other hazardous or toxic substances. We have a portfolio environmental insurance policy that provides coverage for potential environmental liabilities, subject to the policy's coverage conditions and limitations, for most of our properties. From time to time, we may acquire properties or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a superior risk-adjusted return. In such an instance, we underwrite the costs of environmental investigation, clean-up and monitoring into the cost. Further, in connection with property dispositions, we may agree to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties. Our insurance coverage does not include all potential losses.

Real property is subject to casualty risk including damage, destruction, or loss resulting from events that are unusual, sudden and unexpected. Some of our properties are located in areas where casualty risk is higher due to earthquake, wind and/or flood risk. We carry comprehensive insurance coverage to mitigate our casualty risk, in amounts and of a kind that we believe are appropriate for the markets where each of our properties and their business operations are located. Among other coverage, we carry property, boiler and machinery, general liability, cyber liability, fire, flood, terrorism, earthquake, extended coverage and rental loss insurance. Our coverage includes policy specifications and limits customarily carried for similar properties and business activities. We evaluate our level of insurance coverage and deductibles using analysis and modeling, as is customary in our industry. However, we do not insure against all types of casualty, and we may not fully insure against certain perils such as earthquake and cyber risk, either because coverage is not available or because we do not deem it to be economically feasible or prudent to do so. As a result, we could experience a significant loss of capital or revenues, and be exposed to obligations under recourse debt associated with a property. This could occur due to an uninsured or high deductible loss, a loss in excess of insured limits, or a loss not paid due to insurer insolvency.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties and, in particular, costs associated with complying with regulations such as the Americans with Disabilities Act of 1990 (the "ADA") may result in unanticipated expenses.

The properties in our portfolio are subject to various covenants and U.S. federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulation will not be adopted that increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses and zoning relief. Our failure to obtain such permits, licenses and zoning relief or to comply with applicable laws could have an adverse effect on our financial condition, results of operations and cash flow.

In addition, under the ADA, all places of public accommodation are required to meet certain U.S. federal requirements related to access and use by disabled persons. Noncompliance with the ADA could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. We do not conduct audits or investigations of all of these properties to determine their compliance and we cannot predict the ultimate cost of compliance with the ADA, or other legislation. If one or more of our properties in which we invest is not in compliance with the ADA, or other legislation, then we would be required to incur additional costs to bring the

property into compliance. If we incur substantial costs to comply with the ADA or other legislation, our financial condition, results of operations, cash flow, our ability to satisfy debt service obligations and to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units could be adversely affected.

Terrorist attacks and other acts of violence or war may affect the market for the Company's common stock, the industry in which we conduct our operations and our profitability.

Acts of violence, including terrorist attacks could occur in the localities in which we conduct business. More generally, these events could cause consumer confidence and spending to decrease or result in increased volatility in the worldwide financial markets and economy. These attacks or armed conflicts may adversely impact our operations or financial condition. In addition, losses resulting from these types of events may be uninsurable.

We face risks relating to cybersecurity attacks that could cause loss of confidential information and other business disruptions.

We rely extensively on computer systems to manage our business, and our business is at risk from and may be impacted by cybersecurity attacks and security breaches. These could include attempts to gain unauthorized access to our data and computer systems through malware, computer viruses, attachments to e-mails, persons inside our Company or persons with access to systems inside our Company, and other significant disruptions of our information technology networks and related systems.

The risk of a cybersecurity breach or disruption, particularly through a cyber incident, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Although we employ a number of measures to prevent, detect and mitigate these threats, which include password protection, frequent password change events, firewall detection systems, frequent backups, a redundant data system for core applications and annual penetration testing, even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detected.

Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk.

Moreover, although we maintain some of our own critical information technology systems, we also depend on third parties to provide important information technology services relating to, for instance, payroll, electronic communications and certain finance functions. The security measures employed by such third party service providers may prove to be ineffective at preventing breaches of their systems.

A successful cybersecurity attack could, among other things:

- compromise the confidential information of our employees, tenants and vendors;
- disrupt the proper functioning of our networks and systems, and therefore our operations and/or those of certain of our tenants;
- result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes;
- result in misstated financial reports, violations of loan covenants and/or missed reporting deadlines;
- result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;
- require significant management attention and resources to remedy any damages that result;
- subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or
- damage our reputation among our tenants, investors and associates.

Adverse changes in our credit ratings could negatively affect our liquidity and business operations.

The credit ratings of our senior unsecured notes are based on our operating performance, liquidity and leverage ratios, overall financial position and other factors employed by the credit rating agencies in their rating analyses. Our credit ratings can affect the availability, terms and pricing of any indebtedness we may incur or preferred stock that we might issue going forward. There can be no assurance that we will be able to maintain any credit rating and, in the event any credit rating is downgraded, we could incur higher borrowing costs or may be unable to access certain or any capital markets.

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness, in our internal control over financial reporting which may occur could result in misstatements of our results of operations, restatements of our financial statements, a decline in the price/value of our securities, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

The Company is authorized to issue preferred stock. The issuance of preferred stock could adversely affect the holders of the Company's common stock issued pursuant to its public offerings.

Our declaration of trust authorizes the Company to issue 225,000,000 shares, of which 10,000,000 shares are designated as preferred stock. Subject to approval by the Company's Board of Directors, the Company may issue preferred stock with rights, preferences and privileges that are more beneficial than the rights, preferences and privileges of its common stock. Holders of the Company's common stock do not have preemptive rights to acquire any shares issued by the Company in the future. If the Company ever creates and issues preferred stock with a distribution preference over common stock, payment of any distribution preferences on outstanding preferred stock would reduce the amount of funds available for the payment of distributions to our common stockholders and Unitholders. In addition, holders of preferred stock are normally entitled to receive a preference payment in the event of liquidation, dissolution or winding up before any payment is made to our common stockholders, which would reduce the amount our common stockholders and Unitholders, might otherwise receive upon such an occurrence. Also, under certain circumstances, the issuance of preferred stock may have the effect of delaying or preventing a change in control of the Company.

The Company's Board of Directors may change its strategies, policies or procedures without stockholder approval, which may subject us to different and more significant risks in the future.

Our investment, financing, leverage and distribution policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, are determined by the Company's Board of Directors. These policies may be amended or revised at any time and from time to time at the discretion of the Company's Board of Directors without notice to or a vote of its stockholders. This could result in us conducting operational matters, making investments or pursuing different business or growth strategies. Under these circumstances, we may expose ourselves to different and more significant risks in the future, which could have a material adverse effect on our business and growth. In addition, the Company's Board of Directors may change its governance policies provided that such changes are consistent with applicable legal requirements. A change in these policies could have an adverse effect on our financial condition, results of operations, cash flow, ability to satisfy our principal and interest obligations, ability to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units.

We may be unable to retain and attract key management personnel.

We may be unable to retain and attract talented executives. In the event of the loss of key management personnel or upon unexpected death, disability or retirement, we may not be able to find replacements with comparable skill, ability and industry expertise. Until suitable replacements are identified and retained, if at all, our operating results and financial condition could be materially and adversely affected.

We could be subject to risks and liabilities in connection with joint venture arrangements.

Our organizational documents do not limit the amount of available funds that we may invest in joint ventures. We have in the past and may in the future selectively acquire, own and/or develop properties through joint ventures with other persons or entities when we deem such transactions are warranted by the circumstances. Joint venture investments, in general, involve certain risks not present where we act alone, including:

joint venturers may share certain approval rights over major decisions, which might (i) significantly delay or make impossible actions and decisions we believe are necessary or advisable with respect to properties owned through a joint venture, and/or (ii) adversely affect our ability to develop, finance, lease or sell properties owned through a joint venture at the most advantageous time for us, if at all;

joint venturers might become bankrupt or otherwise fail to fund their share of any required capital contributions;

joint venturers might have economic or other business interests or goals that are competitive or inconsistent with our business interests or goals that would affect our ability to develop, finance, lease, operate, manage or sell any properties owned by the applicable joint venture;

joint venturers may have the power to act contrary to our instructions, requests, policies or objectives, including our current policy with respect to maintaining the Company's qualification as a REIT;

joint venture agreements often restrict the transfer of a member's or joint venturer's interest or may otherwise restrict our ability to sell our interest when we would like to or on advantageous terms;

disputes between us and our joint venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and subject the properties owned by the applicable joint venture to additional risk; and

we may in certain circumstances be liable for the actions of our joint venturers.

The occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flow and ability to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units.

Item 1B. Unresolved SEC Comments

None.

Item 2. Properties

General

At December 31, 2018, we owned 447 in-service industrial properties containing an aggregate of approximately 60.7 million square feet of GLA in 21 states, with a diverse base of more than 1,150 tenants engaged in a wide variety of businesses, including distribution, wholesale trade, professional services, manufacturing and retail. The average annual base rent per square foot on a portfolio basis, calculated at December 31, 2018, was \$5.22. The properties are generally located in business parks that have convenient access to interstate highways and/or rail and air transportation. We maintain insurance on our properties that we believe is adequate.

We classify our properties into four industrial categories: bulk warehouse, regional warehouse, light industrial and R&D/flex. While some properties may have characteristics which fall under more than one property type, we use what we believe is the most dominant characteristic to categorize the property. Individual properties may be reclassified over time due to changes in building characteristics such as tenant use and office space build-out.

The following describes, generally, the different industrial categories:

• Bulk warehouse buildings are of more than 100,000 square feet, have a ceiling height of at least 22 feet and are comprised of 5%-15% of office space;

• Regional warehouses are of less than 100,000 square feet, have a ceiling height of at least 22 feet and are comprised of 5%-15% of office space;

• Light industrial properties are of less than 100,000 square feet, have a ceiling height of 16-21 feet and are comprised of 5%-50% of office space; and

• R&D/flex buildings are of less than 100,000 square feet, have a ceiling height of less than 16 feet and are comprised of 50% or more of office space.

The following tables summarize, by market, certain information as of December 31, 2018, with respect to the in-service properties.

In-Service Property Summary Totals

Metropolitan Area	Bulk Warehouse		Regional Warehouse		Light Industrial		R&D/Flex		Total		Occupancy as of 12/31/18
	GLA (in 000's)	Number of Properties	GLA (in 000's)	Number of Properties	GLA (in 000's)	Number of Properties	GLA (in 000's)	Number of Properties	GLA (in 000's)	Number of Properties	
Atlanta, GA	3,859	13	340	4	347	5	—	—	4,546	22	94.5 %
Baltimore, MD	1,579	5	—	—	315	5	52	1	1,946	11	100.0 %
Central/Eastern PA ^(A)	5,957	14	580	6	346	7	—	—	6,883	27	96.4 %
Chicago, IL	4,737	14	326	6	255	5	—	—	5,318	25	98.9 %
Cincinnati, OH	683	3	311	3	278	5	100	2	1,372	13	98.0 %
Cleveland, OH	1,128	6	—	—	—	—	—	—	1,128	6	100.0 %
Dallas/Ft. Worth, TX	3,781	24	483	6	971	17	—	—	5,235	47	98.6 %
Denver, CO	579	4	632	6	986	21	156	5	2,353	36	99.4 %
Detroit, MI	399	3	509	11	652	27	136	3	1,696	44	100.0 %
Houston, TX	2,592	12	377	5	470	8	—	—	3,439	25	99.9 %
Indianapolis, IN	1,968	6	603	7	125	4	20	1	2,716	18	99.3 %
Miami, FL	315	2	345	7	72	1	—	—	732	10	96.8 %
Milwaukee, WI	873	4	90	1	—	—	—	—	963	5	100.0 %
Minneapolis/St. Paul, MN	2,779	13	145	2	322	4	406	5	3,652	24	96.9 %
Nashville, TN	979	3	—	—	164	2	—	—	1,143	5	100.0 %
New Jersey ^(A)	1,239	5	—	—	781	14	172	3	2,192	22	98.9 %
Orlando, FL	427	3	180	2	79	1	—	—	686	6	100.0 %
Phoenix, AZ	2,197	7	395	6	38	1	—	—	2,630	14	99.9 %
Seattle, WA	101	1	162	3	—	—	—	—	263	4	100.0 %
Southern California ^(A)	6,383	21	1,156	18	825	21	—	—	8,364	60	99.6 %
St. Louis, MO	1,238	2	—	—	65	1	192	2	1,495	5	98.9 %
Tampa, FL	210	1	—	—	83	3	217	9	510	13	95.1 %
Other ^(B)	1,440	5	—	—	—	—	—	—	1,440	5	100.0 %
Total	45,443	171	6,634	93	7,174	152	1,451	31	60,702	447	98.5 %
Occupancy by Industrial Property Type		98.6 %		99.5 %		97.1 %		94.7 %			98.5 %

^(A) Central/Eastern PA includes the markets of Central Pennsylvania and Philadelphia. New Jersey includes the markets of Northern and Southern New Jersey. Southern California includes the markets of Los Angeles, the Inland Empire and San Diego.

^(B)

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Properties are located in Kansas City, MO; Jefferson County, KY; Greenville, KY; Winchester, VA; and Salt Lake City, UT.

Indebtedness

As of December 31, 2018, 102 of our 447 in-service industrial properties, with a net carrying value of \$459.2 million, are pledged as collateral under our mortgage financings, totaling \$297.7 million, excluding unamortized debt issuance costs. See Note 4 to the Consolidated Financial Statements and the accompanying Schedule III beginning on page S-1 for additional information.

Property Acquisitions

During the year ended December 31, 2018, we acquired ten industrial properties and several land parcels for an aggregate purchase price of approximately \$167.5 million. The industrial properties were acquired at an expected stabilized capitalization rate of approximately 5.7%. The capitalization rate for these industrial property acquisitions was calculated using the estimated stabilized net operating income (excluding straight-line rent and above and below market lease amortization) and dividing it by the sum of the purchase price plus closing costs and estimated costs to stabilize the properties. The acquired industrial properties have the following characteristics:

Metropolitan Area	Number of Properties	GLA	Property Type	Occupancy at 12/31/18
Houston, TX	2	334,360	Bulk Warehouse	10 % ^(A)
New Jersey	1	119,922	Bulk Warehouse	100 %
Orlando, FL	1	93,608	Regional Warehouse	100 %
Seattle, WA	2	91,468	Regional Warehouse	38 %
Southern California	4	396,045	Bulk Warehouse, Regional Warehouse	57 %
Total	10	1,035,403		

^(A) As of December 31, 2018, percentage leased was 92%.

Development Activity

During the year ended December 31, 2018, we completed and placed in-service eight developments totaling approximately 3.5 million square feet of GLA at a total cost of approximately \$226.6 million. Included in the total cost is \$11.7 million of leasing commissions. The capitalization rate for these development projects, calculated using the estimated stabilized net operating income (excluding straight-line rent adjustments) divided by the total investment in the developed property is 7.9%. The placed in-service development projects have the following characteristics:

Metropolitan Area	Number of Properties	GLA	Property Type	Occupancy at 12/31/18
Chicago, IL	1	602,348	Bulk Warehouse	100 %
Phoenix, AZ	1	643,798	Bulk Warehouse	100 %
Southern California	6	2,208,414	Bulk Warehouse, Regional Warehouse	100 %
Total	8	3,454,560		

As of December 31, 2018, we substantially completed six developments totaling approximately 1.8 million square feet of GLA. The estimated total investment for the six developments is approximately \$129.2 million, of which \$115.3 million has been incurred as of December 31, 2018. There can be no assurance that the actual completion cost for these developments will not exceed the estimated completion cost. The substantially completed developments have the following characteristics:

Metropolitan Area	Number of Properties	GLA	Property Type	Occupancy at 12/31/18
Central/Eastern PA	2	988,920	Bulk Warehouse	0%
Chicago, IL	1	355,199	Bulk Warehouse	0%
Houston, TX	1	126,250	Bulk Warehouse	0%
Southern California	2	358,065	Bulk Warehouse	0%
Total	6	1,828,434		

As of December 31, 2018, we have seven development projects that are under construction totaling approximately 2.8 million square feet of GLA. The estimated total investment for the seven development projects under construction is \$189.4 million, of which \$61.0 million has been incurred as of December 31, 2018. There can be no assurance that the actual completion cost for these developments will not exceed the estimated completion cost. The development projects under construction have the following characteristics:

Metropolitan Area	Number of Properties	GLA	Property Type	Anticipated Quarter of Building Completion
Seattle, WA	1	66,751	Regional Warehouse	Q2 2019
Dallas/Fort Worth, TX	2	345,280	Bulk Warehouse	Q2 2019
Denver, CO	1	555,840	Bulk Warehouse	Q3 2019
Southern California	1	239,950	Bulk Warehouse	Q3 2019
Atlanta, GA	1	703,080	Bulk Warehouse	Q3 2019
Dallas/Fort Worth, TX	1	863,328	Bulk Warehouse	Q4 2019
Total	7	2,774,229		

Property Sales

During the year ended December 31, 2018, we sold 53 industrial properties comprising approximately 2.6 million square feet of GLA, at a weighted average capitalization rate of 6.3%, and several land parcels for total gross sales proceeds of approximately \$192.0 million. The capitalization rate for the 53 industrial property sales is calculated by taking revenues of the property (excluding straight-line rent, lease inducement amortization, above and below market lease amortization and insurance proceeds, other than business interruption insurance proceeds) less operating expenses of the property for a period of the last twelve full months prior to sale and dividing the sum by the sales price of the property. The sold industrial properties have the following characteristics:

Metropolitan Area	Number of Properties	GLA	Property Type
Atlanta, GA	1	364,000	Regional Warehouse
Baltimore/Washington	7	322,239	R & D/Flex, Regional Warehouse, Light Industrial
Chicago, IL	1	85,955	R & D/Flex
Dallas/Ft. Worth, TX	18	445,559	R & D/Flex, Regional Warehouse, Light Industrial
Denver, CO	4	145,700	Light Industrial
Detroit, MI	2	29,006	Light Industrial
Indianapolis, IN	1	54,000	Light Industrial
Miami, FL ^(A)	1	9,500	Light Industrial
New Jersey	2	196,026	Regional Warehouse, Light Industrial
Phoenix, AZ	2	210,417	Bulk Warehouse, Regional Warehouse
Southern California	2	142,241	Regional Warehouse, Light Industrial
St. Louis, MO	4	317,109	Light Industrial
Tampa, FL	8	266,362	R & D/Flex, Light Industrial
Total	53	2,588,114	

^(A) Partial sale of a 0.1 million square-foot industrial property.

Tenant and Lease Information

We have a diverse base of more than 1,150 tenants engaged in a wide variety of businesses including distribution, wholesale trade, professional services, manufacturing and retail. At December 31, 2018, our leases have a weighted average lease length of 6.8 years and the majority provide for periodic rent increases that are either fixed or based on changes in the Consumer Price Index. Industrial tenants typically have net or semi-net leases and pay as additional rent their percentage of the property's operating costs, including the costs of common area maintenance, utilities, property taxes and insurance. As of December 31, 2018, approximately 98.5% of the GLA of our in-service properties was leased, and no single tenant or group of related tenants accounted for more than 2.6% of our rent revenues, nor did any single tenant or group of related tenants occupy more than 2.3% of the total GLA of our in-service properties.

Leasing Activity

The following table provides a summary of our leasing activity for the year ended December 31, 2018. The table does not include month-to-month leases or leases with terms less than twelve months.

	Number of Leases Commenced	Square Feet Commenced (in 000's)	Net Rent Per Square Foot (A)	Straight Line Basis Rent Growth (B)	Weighted Average Lease Term (C)	Lease Costs Per Square Foot (D)	Weighted Average Tenant Retention (E)
New Leases	128	2,342	\$ 5.82	21.1 %	6.2	\$ 5.10	N/A
Renewal Leases	187	7,421	\$ 5.11	20.4 %	4.5	\$ 1.43	82.8 %
Development / Acquisition Leases	18	3,485	\$ 5.39	N/A	8.8	N/A	N/A
Total / Weighted Average	333	13,248	\$ 5.31	20.6 %	5.9	\$ 2.31	82.8 %

(A) Net rent is the average base rent calculated in accordance with GAAP, over the term of the lease.

Straight Line basis rent growth is a ratio of the change in net rent (including straight-line rent adjustments) on a

(B) new or renewal lease compared to the net rent (including straight-line rent adjustments) of the comparable lease. New leases where there were no prior comparable leases are excluded.

(C) The lease term is expressed in years. Assumes no exercise of lease renewal options, if any.

(D) Lease costs are comprised of the costs incurred or capitalized for improvements of vacant and renewal spaces, as well as the commissions paid and costs capitalized for leasing transactions. Lease costs per square foot represent the total turnover costs expected to be incurred on the leases signed during the period and do not reflect actual expenditures for the period.

(E) Represents the weighted average square feet of tenants renewing their respective leases.

The following table provides a summary of our leases that commenced during the year ended December 31, 2018, which included rent concessions during the lease term.

	Number of Leases With Rent Concessions	Square Feet (in 000's)	Rent Concessions (\$)
New Leases	74	1,601	\$ 2,071
Renewal Leases	12	422	\$ 688
Development / Acquisition Leases	17	3,467	\$ 7,392
Total	103	5,490	\$ 10,151

Lease Expirations

Fundamentals for the United States industrial real estate market remained favorable in 2018, as continued growth in the general economy, including e-commerce supply chain activity, drove additional demand for space. New industrial space continued to be developed in response to this growth in demand. Incremental demand exceeded new supply in 2018, with net absorption exceeding 200 million square feet nationally for the sixth consecutive year. National vacancy levels remained low and the overall industry conditions resulted in environments supportive of rental rate growth in virtually all of our markets. Based on our recent experience, a new supply/demand environment near equilibrium, and the 2019 forecast from a leading national research company, we expect our average net rental rates for renewal leases on a cash basis to be higher than the expiring rates. For 2019, net rental rates for new leases on a cash basis on average are also expected to be higher than the comparative prior leases, primarily due to the improvement in market conditions as compared to the conditions prevailing when the comparative leases were structured. The following table shows scheduled lease expirations for all leases for our in-service properties as of December 31, 2018.

Year of Expiration ^(A)	Number of Leases Expiring	GLA Expiring ^(B)	Percentage of GLA Expiring ^(B)	Annualized			
				Base Rent Under Expiring Leases ^(C) (In thousands)	Percentage of Total Annualized Base Rent Expiring ^(C)		
2019	158	4,250,316	7	%	\$ 21,729	7	%
2020	222	7,290,840	12	%	38,731	13	%
2021	240	10,170,890	17	%	51,266	17	%
2022	163	6,363,198	11	%	32,996	11	%
2023	174	7,929,705	13	%	40,506	14	%
2024	100	5,973,426	10	%	29,181	10	%
2025	48	4,707,745	8	%	22,478	7	%
2026	38	4,086,190	7	%	17,432	6	%
2027	16	2,720,602	5	%	13,992	5	%
2028	12	1,765,484	3	%	8,445	3	%
Thereafter	24	3,894,574	7	%	20,637	7	%
Total	1,195	59,152,970	100	%	\$ 297,393	100	%

^(A) Includes leases that expire on or after January 1, 2019 and assumes tenants do not exercise existing renewal, termination or purchase options.

^(B) Does not include existing vacancies of 931,314 aggregate square feet and December 31, 2018 move outs of 618,032 aggregate square feet.

^(C) Annualized base rent is calculated as monthly base rent (cash basis) per the terms of the lease, as of December 31, 2018, multiplied by 12. If free rent is granted, then the first positive rent value is used.

Item 3. Legal Proceedings

We are involved in legal proceedings arising in the ordinary course of business. All such proceedings, taken together, are not expected to have a material impact on our results of operations, financial position or liquidity.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity / Partners' Capital, Related Stockholder / Unitholder Matters and Issuer Purchases of Equity Securities

Market Information

The following table sets forth, for the periods indicated, the high and low closing prices per share of the Company's common stock, which trades on the New York Stock Exchange under the trading symbol "FR" and the dividends declared per share for the Company's common stock and the distributions declared per Unit for the Operating Partnership's Units. There is no established public trading market for the Units.

Quarter Ended	Closing		Dividend/Distribution Declared
	High	Low	
December 31, 2018	\$32.40	\$27.60	\$ 0.2175
September 30, 2018	\$33.87	\$30.78	\$ 0.2175
June 30, 2018	\$33.67	\$28.58	\$ 0.2175
March 31, 2018	\$31.17	\$27.75	\$ 0.2175
December 31, 2017	\$32.82	\$30.49	\$ 0.2100
September 30, 2017	\$31.74	\$28.21	\$ 0.2100
June 30, 2017	\$30.04	\$26.88	\$ 0.2100
March 31, 2017	\$28.66	\$25.35	\$ 0.2100

As of February 15, 2019, the Company had 397 common stockholders of record. The number of holders does not include individuals or entities who beneficially own shares but whose shares are held of record by a broker or clearing agency, but does include each such broker or clearing agency as one record holder. The Operating Partnership had 117 holders of record of Units registered with our transfer agent.

In order to comply with the REIT requirements of the Code, the Company is generally required to make common share distributions and preferred share distributions (other than capital gain distributions) to its shareholders in amounts that together at least equal i) the sum of a) 90% of the Company's "REIT taxable income" computed without regard to the dividends paid deduction and net capital gains and b) 90% of net income (after tax), if any, from foreclosure property, minus ii) certain excess non-cash income.

Our dividend/distribution policy is determined by the Company's Board of Directors and is dependent on multiple factors, including cash flow and capital expenditure requirements, as well as ensuring that the Company meets the minimum distribution requirements set forth in the Code. The Company met the minimum distribution requirements with respect to 2018.

Holders of Units are entitled to receive distributions when, as and if declared by the Company's Board of Directors, after the priority distributions required under the Operating Partnership's partnership agreement have been made with respect to preferred partnership interests in the Operating Partnership out of any funds legally available for that purpose.

During the year ended December 31, 2018, the Operating Partnership did not issue any Limited Partner Units. Subject to certain lock-up periods, holders of Limited Partner Units can redeem their Units by providing written notification to the General Partner of the Operating Partnership. Unless the General Partner provides notice of a redemption restriction to the holder, redemption must be made within seven business days after receipt of the holder's notice. The redemption can be effectuated, as determined by the General Partner, either by exchanging the Limited Partner Units for shares of common stock of the Company on a one-for-one basis, subject to adjustment, or by paying cash equal to the fair market value of such shares. Prior requests for redemption have generally been fulfilled with shares of common stock of the Company, and the Operating Partnership intends to continue this practice. If each Limited Partner Unit of the Operating Partnership were redeemed as of December 31, 2018, the Operating Partnership could satisfy its redemption obligations by making an aggregate cash payment of approximately \$75.7 million or by issuing 2,624,167 shares of the Company's common stock.

Performance Graph

The following graph provides a comparison of the cumulative total stockholder return among the Company, the FTSE NAREIT Equity REIT Total Return Index (the "NAREIT Index") and the Standard & Poor's 500 Index ("S&P 500"). The NAREIT Index represents the performance of our publicly traded industrial REIT peers. The historical information set forth below is not necessarily indicative of future performance.

*\$100 invested on 12/31/13 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	12/13	12/14	12/15	12/16	12/17	12/18
FIRST INDUSTRIAL REALTY TRUST, INC.	\$100.00	\$120.39	\$132.80	\$173.25	\$200.06	\$188.79
S&P 500	\$100.00	\$113.69	\$115.26	\$129.05	\$157.22	\$150.33
FTSE NAREIT Equity REITs	\$100.00	\$130.14	\$134.30	\$145.74	\$153.36	\$146.27

* The information provided in this performance graph shall not be deemed to be "soliciting material," to be "filed" or to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 unless specifically treated as such.

Item 6. Selected Financial Data

The following tables set forth the selected financial and operating data for the Company and the Operating Partnership on a consolidated basis. The following selected consolidated financial data should be read in conjunction with the Consolidated 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 Company

	Year Ended 12/31/18	Year Ended 12/31/17	Year Ended 12/31/16	Year Ended 12/31/15	Year Ended 12/31/14
(In thousands, except per share data)					
Statement of Operations Data:					
Total Revenues	\$403,954	\$396,402	\$378,020	\$365,823	\$346,709
Income from Continuing Operations	167,334	208,301	125,684	76,705	23,182
Net Income Available to First Industrial Realty Trust, Inc.'s Common Stockholders and Participating Securities	163,239	201,456	121,232	73,802	46,629
Basic Per Share Data:					
Income from Continuing Operations Available to First Industrial Realty Trust, Inc.'s Common Stockholders	\$1.31	\$1.70	\$1.05	\$0.67	\$0.18
Net Income Available to First Industrial Realty Trust, Inc.'s Common Stockholders	1.31	1.70	1.05	0.67	0.42
Diluted Per Share Data:					
Income from Continuing Operations Available to First Industrial Realty Trust, Inc.'s Common Stockholders	\$1.31	\$1.69	\$1.05	\$0.66	\$0.18
Net Income Available to First Industrial Realty Trust, Inc.'s Common Stockholders	1.31	1.69	1.05	0.66	0.42
Dividends/Distributions Per Share	\$0.87	\$0.84	\$0.76	\$0.51	\$0.41
Basic Weighted Average Shares	123,804	118,272	115,030	110,352	109,922
Diluted Weighted Average Shares	124,191	118,787	115,370	110,781	110,325
Balance Sheet Data (End of Period):					
Real Estate, Before Accumulated Depreciation	\$3,673,644	\$3,495,745	\$3,384,914	\$3,293,968	\$3,183,369
Total Assets	3,142,691	2,941,062	2,793,263	2,709,808	2,574,911
Indebtedness	1,297,783	1,296,997	1,347,092	1,434,168	1,342,762
Total Equity	1,679,911	1,475,877	1,284,625	1,115,135	1,090,827
Cash Flow Data:					
Cash Flow From Operating Activities	\$210,495	\$192,562	\$173,889	\$162,149	\$137,609
Cash Flow From Investing Activities	(223,398)	(82,495)	(122,395)	(175,898)	(67,240)
Cash Flow From Financing Activities	16,794	(85,046)	(57,025)	29,426	(66,599)
Other Data:					
Funds from Operations Available to First Industrial Realty Trust, Inc.'s Common Stockholders and Participating Securities ^(A)	\$199,391	\$186,496	\$167,811	\$140,841	\$127,890

^(A) Funds from operations ("FFO") is a non-GAAP measure used in the real estate industry. See definition and a complete reconciliation of FFO to Net Income Available to First Industrial Realty Trust, Inc.'s Common Stockholders and Participating Securities under the caption "Supplemental Earnings Measure" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Operating Partnership

	Year Ended 12/31/18	Year Ended 12/31/17	Year Ended 12/31/16	Year Ended 12/31/15	Year Ended 12/31/14
(In thousands, except per Unit data)					
Statement of Operations Data:					
Total Revenues	\$403,954	\$396,402	\$378,020	\$365,823	\$346,709
Income from Continuing Operations	167,334	208,301	125,684	76,820	23,434
Net Income Available to Unitholders and Participating Securities	167,246	208,158	125,547	76,682	48,704
Basic Per Unit Data:					
Income from Continuing Operations Available to Unitholders	\$1.31	\$1.70	\$1.05	\$0.67	\$0.18
Net Income Available to Unitholders	1.31	1.70	1.05	0.67	0.42
Diluted Per Unit Data:					
Income from Continuing Operations Available to Unitholders	\$1.31	\$1.69	\$1.05	\$0.66	\$0.18
Net Income Available to Unitholders	1.31	1.69	1.05	0.66	0.42
Distributions Per Unit	\$0.87	\$0.84	\$0.76	\$0.51	\$0.41
Basic Weighted Average Units	126,921	122,306	119,274	114,709	114,388
Diluted Weighted Average Units	127,308	122,821	119,614	115,138	114,791
Balance Sheet Data (End of Period):					
Real Estate, Before Accumulated Depreciation	\$3,673,644	\$3,495,745	\$3,384,914	\$3,293,968	\$3,183,369
Total Assets	3,152,799	2,951,180	2,803,701	2,720,523	2,585,624
Indebtedness	1,297,783	1,296,997	1,347,092	1,434,168	1,342,762
Total Partners' Capital	1,690,019	1,485,995	1,295,063	1,125,850	1,101,590
Cash Flow Data:					
Cash Flow From Operating Activities	\$210,505	\$192,881	\$174,166	\$162,286	\$138,352
Cash Flow From Investing Activities	(223,398)	(82,494)	(122,395)	(175,898)	(67,895)
Cash Flow From Financing Activities	16,784	(85,366)	(57,302)	29,304	(66,687)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the sections of this Form 10-K titled "Forward-Looking Statements" and "Selected Financial Data" and the Consolidated Financial Statements and Notes thereto appearing elsewhere in this Form 10-K.

Business Overview

The Company is a self-administered and fully integrated real estate company which owns, manages, acquires, sells, develops and redevelops industrial real estate. The Company is a Maryland corporation organized on August 10, 1993 and a real estate investment trust as defined in the Code.

We believe our financial condition and results of operations are, primarily, a function of our performance in four key areas: leasing of industrial properties, acquisition and development of additional industrial properties, disposition of industrial properties and access to external capital.

We generate revenue primarily from rental income and tenant recoveries from operating leases of our industrial properties. 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. Our revenue growth is dependent, in part, on our ability to: (i) increase rental income, through increasing either or both occupancy rates and rental rates at our 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 on the sale of our properties (as discussed below), for our liquidity. 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 our control. The leasing of property also entails various risks, including the risk of tenant default. If we were unable to maintain or increase occupancy rates and rental rates at our properties or to maintain tenant recoveries and operating and certain other expenses consistent with historical levels and proportions, our revenue would decline. Further, if a significant number of our tenants were unable to pay rent (including tenant recoveries) or if we were unable to rent our properties on favorable terms, our financial condition, results of operations, cash flow and ability to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units would be adversely affected.

Our revenue growth is also dependent, in part, on our ability to acquire existing, and develop new industrial properties on favorable terms. We seek to identify opportunities to acquire existing industrial properties on favorable terms, and, when conditions permit, also seek to acquire and develop new industrial properties on favorable terms. Existing properties, as they are acquired, and acquired and developed properties, as they are leased, generate revenue from rental income, tenant recoveries and fees, income from which, as discussed above, is a source of funds for our distributions to our stockholders and Unitholders. The acquisition and development of properties is impacted, variously, by property specific, market specific, general economic and other conditions, many of which are beyond our control. The acquisition and development of properties also entails various risks, including the risk that our 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, we 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, we face significant competition for attractive acquisition and development opportunities from other well-capitalized real estate investors, including publicly-traded REITs and private investors. Further, as discussed below, we may not be able to finance the acquisition and development opportunities we identify. If we were unable to acquire and develop sufficient additional properties on favorable terms, or if such investments did not perform as expected, our revenue growth would be limited and our financial condition, results of operations, cash flow and ability to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units would be adversely affected.

We also generate income from the sale of our properties (including existing buildings, buildings which we have developed or re-developed on a merchant basis and land). The gain or loss on, and fees from, the sale of such properties are included in our income and can be a significant source of funds, in addition to revenues generated from rental income and tenant recoveries. Proceeds from sales are used to repay outstanding debt and, market conditions permitting, may be used to fund the acquisition of existing industrial properties, 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 our control. The sale of properties also entails various risks, including competition from other sellers and the availability of attractive financing for potential buyers of our properties. Further, our 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 we are unable to sell properties on favorable terms, our income growth would be limited and our financial condition, results of operations, cash flow and ability to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units could be adversely affected.

We utilize a portion of the net sales proceeds from property sales, borrowings under our Unsecured Credit Facility and proceeds from the issuance, when and as warranted, of additional debt and equity securities to refinance debt and finance future acquisitions and developments. Access to external capital on favorable terms plays a key role in our financial condition and results of operations, as it impacts our cost of capital and our ability and cost to refinance existing indebtedness as it matures and our ability to fund acquisitions and developments. Our ability to access external capital on favorable terms is dependent on various factors, including general market conditions, interest rates, credit ratings on our debt, the market's perception of our growth potential, our current and potential future earnings and cash distributions and the market price of the Company's common stock. If we were unable to access external capital on favorable terms, our financial condition, results of operations, cash flow and ability to make distributions to our stockholders and Unitholders, the market price of the Company's common stock and the market value of the Units could be adversely affected.

Summary of Significant Transactions During 2018

During 2018, we completed the following significant transactions and financing activities:

We acquired 10 industrial properties comprised of approximately 1.0 million square feet of GLA located in our Seattle, Orlando, Southern California, New Jersey and Houston markets for an aggregate purchase price of \$124.9 million.

- We acquired 271.7 acres of land for development located in our Dallas, Denver, Seattle, Southern California, New Jersey and Miami markets for an aggregate purchase price of \$42.6 million.

We developed, placed in-service and leased at 100%, 8 industrial properties comprising approximately 3.5 million square feet of GLA located in Southern California, Chicago and Phoenix at an estimated total cost of \$226.6 million.

We sold 53 industrial properties comprised of approximately 2.6 million square feet of GLA and several land parcels for total gross sales proceeds of \$192.0 million.

- We entered into the Joint Venture with a third party and acquired, for a purchase price of \$49.0 million, approximately 532 net developable acres of land located in Phoenix for the purpose of developing, selling, leasing and operating industrial properties.

We issued \$150.0 million of ten-year private placement notes at a rate of 3.86% and \$150.0 million of twelve-year private placement notes at a rate of 3.96%.

We issued 4,800,000 shares of the Company's common stock in an underwritten public offering. Proceeds to the Company, net of the underwriter's discount, were \$145.6 million.

We paid off \$157.8 million in mortgage loans payable.

We declared an annual cash dividend of \$0.87 per common share or Unit, an increase of 3.6% from 2017.

Results of Operations

Comparison of Year Ended December 31, 2018 to Year Ended December 31, 2017

Our net income was \$167.3 million and \$208.3 million for the years ended December 31, 2018 and 2017, respectively. The tables below summarize our revenues, property expenses and depreciation and other amortization by various categories for the years ended December 31, 2018 and 2017. Same store properties are properties owned prior to January 1, 2017 and held as an in-service property through December 31, 2018 and developments and redevelopments that were placed in service prior to January 1, 2017 or were substantially completed for the 12 months prior to January 1, 2017. Properties which are at least 75% occupied at acquisition are placed in service, unless we anticipate the tenants to move out within the first two years of ownership. Acquisitions that are less than 75% occupied at the date of acquisition, developments and redevelopments are placed in service as they reach the earlier of a) stabilized occupancy (generally defined as 90% occupied), or b) one year subsequent to acquisition or development/redevelopment construction completion. Acquired properties with occupancy greater than 75% at acquisition, but with tenants that we anticipate will move out in the first year of ownership, will be placed in service upon the earlier of reaching 90% occupancy or twelve months after move out. Properties are moved from the same store classification to the redevelopment classification when capital expenditures for a project are estimated to exceed 25% of the undepreciated gross book value of the property. Acquired properties are properties that were acquired subsequent to December 31, 2016 and held as an operating property through December 31, 2018. Sold properties are properties that were sold subsequent to December 31, 2016. (Re)Developments include developments and redevelopments that were not: a) substantially complete 12 months prior to January 1, 2017; or b) stabilized prior to January 1, 2017. Other revenues are derived from the operations of properties not placed in service under one of the categories discussed above, the operations of our maintenance company and other miscellaneous revenues. Other property expenses are derived from the operations of properties not placed in service under one of the categories discussed above, the operations of our maintenance company, vacant land expenses and other miscellaneous regional expenses.

During the year ended December 31, 2018, one industrial property, comprising approximately 0.1 million square feet of GLA, was taken out of service for redevelopment. As a result of taking this industrial property out of service, the results of operations were reclassified from the same store property classification to the re(development) classification. During the year ended December 31, 2018, we completed the redevelopment of this property and the property is 100% occupied. This property will return to the same store classification in the first quarter 2020.

During the year ended December 31, 2017, one industrial property, comprising approximately 0.1 million square feet of GLA, was taken out of service due to a fire which caused major damage to the building. During the year ended December 31, 2018, we recognized \$1.3 million of insurance proceeds, inclusive of business interruption proceeds, within other income. Also, during the year ended December 31, 2018, we sold the remaining property and as such, the results of this property are included in the sold classification.

During the year ended December 31, 2016, one industrial property, comprising approximately 28 thousand square feet of GLA, was taken out of service due to a fire which caused complete destruction of the building. The results of this property are included in the (re) development classification. We anticipate the rebuild of this property will be complete during the first quarter 2019 and as of December 31, 2018, the property is 100% pre-leased. This property will return to the same store classification in the first quarter 2021.

Our future financial condition and results of operations, including rental revenues, may be impacted by the future acquisition, (re)development and sale of properties. Our future revenues and expenses may vary materially from historical rates.

For the years ended December 31, 2018 and 2017, the average occupancy rates of our same store properties were 97.5% and 96.2%, respectively.

	2018	2017	\$ Change	% Change	
	(In thousands)				
REVENUES					
Same Store Properties	\$365,873	\$349,196	\$16,677	4.8	%
Acquired Properties	12,462	4,243	8,219	193.7	%
Sold Properties	11,354	36,484	(25,130)	(68.9)	%
(Re) Developments	11,393	4,626	6,767	146.3	%
Other	2,872	1,853	1,019	55.0	%
Total Revenues	\$403,954	\$396,402	\$7,552	1.9	%

Revenues from same store properties increased \$16.7 million due primarily to an increase in occupancy and rental rates as well as tenant recoveries. Revenues from acquired properties increased \$8.2 million due to the 18 industrial properties acquired subsequent to December 31, 2016 totaling approximately 2.1 million square feet of GLA. Revenues from sold properties decreased \$25.1 million due to the 113 industrial properties sold subsequent to December 31, 2016 totaling approximately 7.2 million square feet of GLA. Revenues from (re)developments increased \$6.8 million due to an increase in occupancy. Revenues from other increased \$1.0 million primarily due to an increase in interest income earned on our cash equivalents, as well as an increase in occupancy related to one property acquired in 2016 and placed in service during 2017.

	2018	2017	\$ Change	% Change	
	(In thousands)				
PROPERTY EXPENSES					
Same Store Properties	\$97,053	\$91,417	\$5,636	6.2	%
Acquired Properties	3,850	1,105	2,745	248.4	%
Sold Properties	3,461	11,695	(8,234)	(70.4)	%
(Re) Developments	4,090	1,392	2,698	193.8	%
Other	8,400	7,885	515	6.5	%
Total Property Expenses	\$116,854	\$113,494	\$3,360	3.0	%

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 \$5.6 million primarily due to an increase in real estate taxes, snow removal costs, and insurance expense. Property expenses from acquired properties increased \$2.7 million due to properties acquired subsequent to December 31, 2016. Property expenses from sold properties decreased \$8.2 million due to properties sold subsequent to December 31, 2016. Property expenses from (re)developments increased \$2.7 million primarily due to the substantial completion of developments. Property expenses from other increased \$0.5 million due to an increase in real estate taxes.

General and administrative expense remained relatively unchanged. However, during the three months ended March 31, 2018, we incurred \$1.3 million of severance expense. The increase in severance expense is offset by an increase in the capitalization of compensation of certain development personnel due to an increase in development activities as well as a decrease in amortization of restricted stock, which decrease is primarily due to immediate recognition of \$1.6 million of expense related to the issuance of restricted stock to our former CEO during the three months ended March 31, 2017.

	2018	2017	\$ Change	% Change
	(In thousands)			
DEPRECIATION AND OTHER AMORTIZATION				
Same Store Properties	\$100,525	\$101,770	\$	